Audited Consolidated Financial Statements

FWD Group Holdings Limited
富衛集團有限公司

For the year ended 31 December 2024

FWD GROUP HOLDINGS LIMITED 富衛集團有限公司

CONTENTS

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Independent auditor's report
To the shareholders of FWD Group Holdings Limited 富衛集團有限公司
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 (the "Company") and its subsidiaries (the "Group") set out on pages 9 to 146, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities* for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Hong Kong, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key audit matter #1	**How our audit addressed the key audit matter**
Recognition and measurement of insurance contract liabilities and contractual service margin ("CSM")	
The Group recorded a contractual service margin ("CSM") of US$5,280 million at 31 December 2024 in its consolidated statement of financial position and recognised a release of CSM of US$608 million for services provided in its consolidated income statement for the year ended 31 December 2024. At initial recognition, the Group measures a group of insurance contracts as the total of: (a) fulfilment cash flows, which comprise of estimates of future cash flows, adjusted to reflect the time value of money and financial risks, and a risk adjustment for non-financial risk; and (b) a CSM, which represents the estimate of unearned profit the Group will recognise as it provides service under the insurance contracts. The projection of future cash flows for these insurance contract liabilities involved the use of best estimate assumptions and actuarial models. Judgement is involved in setting economic assumptions, particularly discount rates (including the illiquidity premium adjustment); and in determining non-economic assumptions in respect of mortality, morbidity, persistency and expenses. The actuarial models used to determine the fulfilment cash flows is also complex due to the complexity in building the IFRS 17 logics into the models. Release of CSM is a key component of insurance revenue under IFRS 17 and the calculation of coverage units on which the release of CSM is based involves significant management judgement. Auditing the valuation of these insurance contract liabilities and release of CSM were complex and required the application of significant auditor judgment due to the complexity of the cash flow models, the selection and use of assumptions, and the interrelationship of these variables in measuring insurance contract liabilities. The audit procedures involved specialised skill and knowledge to assist in evaluating the audit evidence obtained. The Group's disclosures about insurance contract liabilities and CSM are included in Notes 2.3, 3.1, 3.2, 7 and 16 which explain the movements of insurance contract liabilities and the CSM impacting profit or loss for the period and shareholders' equity.	In conjunction with our internal specialists, the procedures we performed to address the key audit matter included: *Assumptions* • Obtained an understanding of management's process for setting economic and non-economic assumptions and assessed the key controls; • For economic assumptions: o Tested that discount rates and investment return assumptions have been set appropriately by reference to yield curves and economic scenario generators (ESG); o Confirmed that the information used to determine the illiquidity premium is appropriate and consistent with the characteristics of the liabilities and the asset portfolios; • For non-economic assumptions: o Tested that the key assumptions set by management are consistent with management's experience studies, and assessed whether individual changes were errors or refinements of estimates; *Model* • Understood and evaluated the governance processes in respect of model design and model maintenance; • Tested the methodology and calculation of the fulfilment cash flows through reviewing the calculation logic within the models, and through calculating an independent estimate of the fulfillment cashflows for a sample of insurance contracts and comparing the results to the Group's results; *CSM* • Obtained an understanding of management's processes and assessed the key controls over the determination of coverage units and CSM movements during the period, including release of CSM; • For a sample of group of contracts, validated the accuracy of the CSM calculation, including the appropriateness of coverage units and release of CSM through independent model reperformance testing; • Performed analytical review procedures over the movements in the CSM during the period; • For a sample of contracts issued during the period, we tested the calculation of the initial CSM and the identification of onerous contracts; • Tested the CSM movement disclosures in the financial statements to the output of the CSM calculation model.

Independent auditor's report (continued)
To the shareholders of FWD Group Holdings Limited 富衛集團有限公司
(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

Key audit matter #2	How our audit addressed the key audit matter
Goodwill impairment assessment	
At 31 December 2024, the Group recorded goodwill of US$1,507 million. The Group's impairment assessment of goodwill is performed by comparing the carrying amount of the cash generating unit ("CGU"), including goodwill, to the recoverable amount of that CGU. If the recoverable amount of the CGU exceeds the carrying amount of the CGU, the goodwill allocated to that CGU shall be regarded as not impaired. The recoverable amount is the value in use of the CGU unless otherwise stated. The value in use is calculated as an actuarially determined appraisal value, based on the embedded value with respect to the in-force business together with the value of future new business ("VNB"). The estimation of recoverable amounts required management to make significant estimates and assumptions. Auditing the Group's impairment assessment of goodwill required significant auditor judgment due to the high degree of subjectivity applied by management in determining the VNB multipliers and discount rates. Changes in these assumptions could have a significant impact on the carrying value of goodwill, the amount of any impairment charge, or both. The Group's disclosures about goodwill related intangible asset are included in Notes 2.9, 2.10, 3.5 and 12, which give details of the accounting policies, the amounts of the recognised goodwill and the corresponding impairment assessment.	In conjunction with our internal specialists, the procedures we performed to address the key audit matter including: • Evaluated the methodology applied by management; • Assessed significant assumptions such as discount rates and VNB multipliers used by management by comparing these assumptions to current industry and economic trends; • Reviewed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in recoverable amounts that would result from reasonably possible changes in the assumptions; and • Compared historical actual results to those budgeted to assess the quality of management's forecasting process.

Independent auditor's report (continued)
To the shareholders of FWD Group Holdings Limited 富衛集團有限公司
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Key audit matters (continued)

Key audit matter #3	How our audit addressed the key audit matter
Impairment assessment of distribution rights intangible assets	
At 31 December 2024, the Group recorded US$1,439 million of acquired distribution rights related intangible assets. Distribution rights represent contractual relationships for exclusive access to distribution networks. The distribution rights intangible is amortized over the life of the relevant contracts based on the expected pattern of consumption of the expected future economic benefits embodied in the intangible asset. The Group performs an impairment assessment on distribution rights intangible when events and circumstances have occurred that may indicate that the carrying amount of the intangibles exceeded its recoverable amount. Determining the recoverable amount of the intangibles is sensitive to significant assumptions, in particular the discount rate, which reflects the markets assessments of the time value of money and the risks specific to the operations. Auditing the distribution rights intangible required significant auditor judgment due to the high degree of subjectivity by the management in determining the discount rates used to estimate future cash flows for impairment assessment purpose. Changes in this assumption could have a significant impact on either the carrying value of distribution rights intangible, the amount of any impairment charge, or both. Assumption could have a significant impact on either the carrying value of distribution rights intangible, the amount of any impairment charge, or both. The Group's disclosures about the distribution rights intangible asset are included in Notes 2.9, 2.10, 3.5 and 12, which give details of the accounting policies and amounts of the recognised distribution rights intangible.	In conjunction with our internal specialists, the procedures we performed to address the key audit matter including: • Understood and evaluated management's impairment assessment process; • Reviewed management's assessment of the existence of impairment indicators. We formed an independent view of the existence of potential impairment indicators considering all the information obtained during the audit. Where an impairment indicator was identified and quantitative assessment was performed, we: • Compared the discount rate used in the assessment to discount rates used for entities with similar risk profiles and market information; and • Assessed the consistency of the underlying cash flows (including budgeted sales) used in the impairment model with supporting evidence such as actual results, legal agreements or budgets approved by management.

Information other than the consolidated financial statements and auditor's report thereon

The consolidated financial statements do not include other information.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

EY 安永

Independent auditor's report (continued)
To the shareholders of FWD Group Holdings Limited 富衛集團有限公司
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Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Keith Pogson.

Ernst & Young

Certified Public Accountants
Hong Kong
28 February 2025

CONSOLIDATED INCOME STATEMENT

US$m	Notes	Year ended 31 December 2024	Year ended 31 December 2023
Insurance revenue	7	2,724	2,756
Insurance service expenses	9,16	(2,012)	(1,989)
Net expenses from reinsurance contracts held	16	(42)	(88)
Insurance service result		**670**	**679**
Interest revenue on			
Financial assets not measured at fair value through profit or loss		1,088	1,048
Financial assets measured at fair value through profit or loss		97	111
Other investment gains/(losses)		93	(791)
Net impairment loss on financial assets		(16)	(9)
Investment return	8	**1,262**	**359**
Net finance income/(expenses) from insurance contracts		(1,051)	(996)
Net finance income/(expenses) from reinsurance contracts held		31	1
Movement in investment contract liabilities		(1)	4
Net investment result	8	**241**	**(632)**
Net insurance and investment result		**911**	**47**
Other revenue	7	36	64
General and other expenses	9	(550)	(731)
Borrowings and other finance costs	10	(249)	(174)
Profit/(loss) before share of profit/(loss) from associates and joint ventures		**148**	**(794)**
Share of profit/(loss) from associates and joint ventures	13	36	(20)
Profit/(loss) before tax		**184**	**(814)**
Tax benefit/(expense)	11	(174)	97
Net profit/(loss)		**10**	**(717)**

Net profit/(loss) attributable to:

Shareholders of the Company and perpetual securities holders	6	**24**	**(716)**
Shareholders of the Company		(78)	(826)
Perpetual securities		102	110
Non-controlling interests		(14)	(1)
		10	**(717)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	Year ended 31 December 2024	2023
Net profit/(loss)	**10**	**(717)**
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Fair value gains/(losses) on debt securities at fair value through other comprehensive income	(40)	510
Fair value losses/(gains) on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment	448	891
Net finance income/(expenses) from insurance contracts	(47)	(1,293)
Net finance income/(expenses) from reinsurance contracts held	(293)	18
Cash flow hedges	48	(16)
Foreign currency translation adjustments	(205)	(105)
Share of other comprehensive income/(loss) from associates and joint ventures	(23)	(33)
Related income tax	(10)	(35)
Total other comprehensive income/(loss)	(122)	(63)
Total comprehensive income/(loss)	**(112)**	**(780)**
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company and perpetual securities holders	**(91)**	**(684)**
Shareholders of the Company	(193)	(794)
Perpetual securities	102	110
Non-controlling interests	(21)	(96)
	(112)	**(780)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
US$m	Notes	2024	2023
ASSETS			
Intangible assets	12	3,085	3,154
Investments in associates and joint ventures	13	438	383
Property, plant and equipment	14	139	146
Investment property	15	466	599
Insurance contract assets	16	683	798
Reinsurance contract assets	16	2,696	2,876
Financial investments	17,19		
At fair value through other comprehensive income debt securities		31,408	29,029
At fair value through profit or loss			
Debt securities		1,750	1,970
Equity securities		221	675
Interests in investment funds		9,103	8,667
Derivative financial instruments	18	285	218
Loans and deposits		902	996
		43,669	41,555
Deferred tax assets	11	176	321
Current tax recoverable		51	18
Other assets	20	622	816
Cash and cash equivalents	21	1,687	2,008
Total assets		**53,712**	**52,674**
LIABILITIES			
Insurance contract liabilities	16	41,646	40,073
Reinsurance contract liabilities	16	366	304
Investment contract liabilities	22	32	56
Borrowings	23	2,793	2,531
Derivative financial instruments	18	528	416
Provisions		40	42
Deferred tax liabilities	11	172	136
Current tax liabilities		147	425
Other liabilities	24	1,174	1,059
Total liabilities		**46,898**	**45,042**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	Notes	As at 31 December 2024	As at 31 December 2023
EQUITY			
Share capital and share premium	25	9,010	9,010
Other reserves	25	190	124
Retained earnings/(accumulated losses)		(2,139)	(1,956)
Amounts reflected in other comprehensive income		**(1,049)**	**(944)**
Fair value reserve	25	(2,584)	(2,934)
Insurance finance reserve	25	2,292	2,558
Cash flow hedge reserve	25	6	(32)
Defined benefit obligation revaluation reserve		3	3
Foreign currency translation reserve	25	(714)	(510)
Share of other comprehensive income of associates and joint ventures		(52)	(29)
Total equity of the Group attributable to:			
Shareholders of the Company and perpetual securities holders		**6,753**	**7,582**
Shareholders of the Company		6,012	6,234
Perpetual securities	25	741	1,348
Non-controlling interests	25	61	50
Total equity		**6,814**	**7,632**
Total liabilities and equity		**53,712**	**52,674**

Approved and authorised for issue by the board of directors on 28 February 2025.

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Shareholders of the Company												
US$m	Notes	**Share Capital and share premium**	**Other reserves**	**Accumulated losses**	**Amounts reflected in other comprehensive income**	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures	**Perpetual securities**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2024		**9,010**	**124**	**(1,956)**	**(944)**	**(2,934)**	**2,558**	**(32)**	**3**	**(510)**	**(29)**	**1,348**	**50**	**7,632**
Net profit/(loss)		—	—	(78)	—	—	—	—	—	—	—	102	(14)	10
Other comprehensive income items that may be reclassified subsequently to profit or loss														
Fair value gains/(losses) on debt securities at fair value through other comprehensive income		—	—	—	(42)	(42)	—	—	—	—	—	—	2	(40)
Fair value losses/(gains) on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	448	448	—	—	—	—	—	—	—	448
Net finance income/(expenses) from insurance contracts		—	—	—	(38)	—	(38)	—	—	—	—	—	(9)	(47)
Net finance income/(expenses) from reinsurance contracts held		—	—	—	(293)	—	(293)	—	—	—	—	—	—	(293)
Cash flow hedges		—	—	—	48	—	—	48	—	—	—	—	—	48
Foreign currency translation adjustments		—	—	—	(205)	—	—	—	—	(205)	—	—	—	(205)
Share of other comprehensive income/(loss) of associates and joint ventures		—	—	—	(23)	—	—	—	—	—	(23)	—	—	(23)
Related income tax		—	—	—	(10)	(59)	59	(10)	—	—	—	—	—	(10)
Total comprehensive income/(loss) for the year		**—**	**—**	**(78)**	**(115)**	**347**	**(272)**	**38**	**—**	**(205)**	**(23)**	**102**	**(21)**	**(112)**
Distribution paid	25	—	—	—	—	—	—	—	—	—	—	(112)	—	(112)
Acquisition of non-controlling interests	25	—	—	(26)	—	—	—	—	—	—	—	—	—	(26)
Transaction with non-controlling interests	25	—	—	—	—	—	—	—	—	—	—	—	32	32
Redemption of a perpetual security	25	—	—	(4)	—	—	—	—	—	—	—	(596)	—	(600)
Transfer to legal reserve		—	66	(66)	—	—	—	—	—	—	—	—	—	—
Others		—	—	(9)	10	3	6	—	—	1	—	(1)	—	—
Balance as at 31 December 2024		**9,010**	**190**	**(2,139)**	**(1,049)**	**(2,584)**	**2,292**	**6**	**3**	**(714)**	**(52)**	**741**	**61**	**6,814**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to Shareholders of the Company												
US$m	Notes	**Share Capital and share premium**	**Other reserves**	**Accumulated losses**	**Amounts reflected in other comprehensive income**	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures	**Perpetual securities**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2023		**6,411**	**81**	**(438)**	**(637)**	**(2,953)**	**2,620**	**(15)**	**3**	**(295)**	**3**	**1,354**	**1,718**	**8,489**
Net profit/(loss)		—	—	(826)	—	—	—	—	—	—	—	110	(1)	(717)
Other comprehensive income items that may be reclassified subsequently to profit or loss														
Fair value gains/(losses) on debt securities at fair value through other comprehensive income		—	—	—	282	282	—	—	—	—	—	—	228	510
Fair value losses/(gains) on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	874	874	—	—	—	—	—	—	17	891
Net finance income/(expenses) from insurance contracts		—	—	—	(986)	—	(986)	—	—	—	—	—	(307)	(1,293)
Net finance income/(expenses) from reinsurance contracts held		—	—	—	6	—	6	—	—	—	—	—	12	18
Cash flow hedges		—	—	—	(16)	—	—	(16)	—	—	—	—	—	(16)
Foreign currency translation adjustments		—	—	—	(40)	—	—	—	—	(40)	—	—	(65)	(105)
Share of other comprehensive income/(loss) of associates and joint ventures		—	—	—	(34)	—	—	—	—	—	(34)	—	1	(33)
Related income tax		—	—	—	(54)	(202)	144	4	—	—	—	—	19	(35)
Total comprehensive income/(loss) for the year		**—**	**—**	**(826)**	**32**	**954**	**(836)**	**(12)**	**—**	**(40)**	**(34)**	**110**	**(96)**	**(780)**
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	—	—	—	20	20
Exchange of Share Capital of FL and FGL		2,599	23	(566)	(335)	(933)	774	(5)	—	(173)	2	—	(1,721)	—
Issuance of shares by subsidiaries	25	—	(18)	—	2	8	(7)	—	—	1	—	—	16	—
Distribution paid	25	—	—	—	—	—	—	—	—	—	—	(110)	—	(110)
Share-based compensation	29	—	17	—	—	—	—	—	—	—	—	—	2	19
Transaction with non-controlling interests	25	—	7	(114)	(3)	(8)	7	—	—	(2)	—	—	112	2
Transfer to legal reserve	25	—	13	(13)	—	—	—	—	—	—	—	—	—	—
Others		—	1	1	(3)	(2)	—	—	—	(1)	—	(6)	(1)	(8)
Balance as at 31 December 2023		**9,010**	**124**	**(1,956)**	**(944)**	**(2,934)**	**2,558**	**(32)**	**3**	**(510)**	**(29)**	**1,348**	**50**	**7,632**

CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	Notes	Year ended 31 December 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		184	(814)
Adjustments for:			
Financial investments		(3,067)	1,264
Insurance and reinsurance contract balances		1,597	(756)
Investment contract liabilities		(24)	(141)
Other non-cash operating items, including the effect of exchange rate changes on certain operating items		642	(298)
Operating cash items:			
Dividend received		248	232
Interest received		1,251	1,250
Interest paid		(9)	(15)
Income tax paid		(296)	(93)
Net cash provided by operating activities		**526**	**629**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	5	—	19
Acquisition of interest in an associate	13	(49)	(51)
Dividend and distribution from associates and a joint venture	13	7	2
Payments for intangible assets		(131)	(62)
Payments for investment properties		—	—
Payments for property, plant and equipment		(25)	(10)
Proceeds from disposal of a subsidiary, net of cash disposed		—	—
Proceeds from disposals of intangible assets		1	4
Proceeds from disposals of investment properties		85	—
Proceeds from disposals of property, plant and equipment		—	1
Restricted cash for acquisitions		2	—
Net cash used in investing activities		**(110)**	**(97)**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

US$m	Notes	Year ended 31 December 2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Transaction costs on novation of perpetual securities		—	(5)
Repayment of bank borrowings	23	(50)	—
Proceeds from bank borrowings	23	50	—
Restricted cash		—	12
Proceeds from issuance of a subordinated note		900	—
Proceeds from issuance of subordinated dated capital securities		600	—
Proceeds from issuance of a medium term note		—	325
Repayment of a medium-term note		(325)	—
Repayment of subordinated notes		(900)	—
Distributions paid on perpetual securities	25.3	(112)	(110)
Redemption of perpetual securities	25.3	(600)	—
Transaction with non-controlling interests	25.5	6	1
Principal portion of lease payments		(39)	(44)
Finance costs paid on lease liabilities		(5)	(5)
Finance costs paid on borrowings		(228)	(144)
Finance costs paid on distribution agreement payable		—	(3)
Payment for listing related expenses		(2)	(2)
Net cash provided by/(used in) financing activities		**(705)**	**25**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(289)	557
Cash and cash equivalents at beginning of the year		2,008	1,474
Effect of exchange rate changes on cash and cash equivalents		(32)	(23)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,687**	**2,008**
Included in cash and cash equivalents per the consolidated statement of financial position	21	1,687	2,008

1 CORPORATE INFORMATION

1.1 General information

FWD Group Holdings Limited 富衛集團有限公司 (the “Company”), is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 18 March 2013. The address of the Company’s registered office is Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is a holding company. The Company and its subsidiaries (collectively, “FWD Group” or the “Group”) are principally engaged in the provision of products and services focusing on life insurance, general insurance and investment services (the “Insurance Business”).

As at 31 December 2024 and 2023, the immediate and ultimate holding company of the Company was PCGI Holdings Limited. PCGI Holdings Limited is wholly owned by Mr. Li Tzar Kai, Richard, the ultimate controlling shareholder of the Group (the “Ultimate Controlling Shareholder”).

1.2 Reorganisation of the Group

The Group underwent the following reorganisation steps (“Reorganisation”) during the financial years presented:

On 31 July 2023, the Company issued in aggregate 34,756,740 management shares (“Management Shares”), 120,099,900 series P conversion shares (“Series P Conversion Shares”) and 196,083,810 Series A, B-2 and B-3 conversion shares (“Series A, B-2 and B-3 Conversion Shares”) to the non-controlling interest holders of FL and FGL, and the non-controlling interest holders of FL and FGL sold and the Company purchased their holdings of ordinary shares, preference shares and convertible preference shares (as applicable) in FWD Limited (“FL”) and FWD Group Limited (“FGL”), respectively (the “Exchange of Share Capital of FL and FGL”). These Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares will be mandatorily converted into ordinary shares of the Company upon completion of an initial public offering of the Company.

Immediately after the completion of the Exchange of Share Capital of FL and FGL, FL and FGL have become wholly-owned subsidiaries of the Company.

The following reorganisation steps are expected to be completed conditional on and upon an initial public offering of the Company taking place:

Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares will be mandatorily converted into ordinary shares of the Company through the consolidation, redesignation and reclassification of the Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares by operation of the laws of the Cayman Islands (the “Conversion of Shares”). Immediately after the Conversion of Shares, the Company will only have ordinary shares in issue.

When these conditional reorganisation steps are completed they are expected to be accounted for in accordance with the Company’s accounting policy noted in Note 2.2.

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The accounting policies listed below are in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board, and Interpretations developed by the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared, on a going concern basis, under the historical cost convention, except for investment property, the re-measurement of financial assets measured at fair value through other comprehensive income ("FVOCI"), certain financial assets and liabilities measured or designated at fair value through profit or loss ("FVTPL") and derivative financial instruments, all of which are carried at fair value. Additionally, insurance and reinsurance contract assets and liabilities are measured using a fulfilment cash flow and contractual service margin basis.

Certain amounts in the consolidated financial statements of prior years have been reclassified to conform to current year presentation.

IFRS 9 Financial instruments and IFRS 17 Insurance contracts are effective for annual periods beginning on or after 1 January 2023 and early application is permitted. The Group has applied IFRS 9 and IFRS 17 consistently throughout the reporting years presented. The accounting policies adopted are consistent throughout the year ended 31 December 2024, except as described as follows.

(a) Voluntary change in accounting policy

IFRS 9, "Financial Instruments" on hedge accounting

The requirements under IFRS 9 related to hedge accounting better aligns the accounting treatments with risk management activities and enable the Group to better reflect these activities in the consolidated financial statements. It relaxes the requirements for assessing hedge effectiveness which may enable more risk management strategies to be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the consolidated financial statements will be provided with more relevant information about the effect of hedge accounting on the consolidated financial statements. The Group has chosen to prospectively apply IFRS 9 hedge accounting from 1 July 2024 except for:

- The accounting for the forward element of forward contracts is applied retrospectively, for contracts where only the change in the spot element of a forward contract was designated as a hedging instrument in a hedging relationship when IAS 39 was applied;
- The accounting for foreign currency basis spreads is applied retrospectively for hedging relationships that existed at the beginning of the earliest comparative period or were designated thereafter.

After assessment, the application does not have a material impact on the Group's consolidated financial statements, no restatement is required.

(b) Issued but not yet effective and have not been early adopted for the year ended 31 December 2024

The following relevant new standards and amendments to standards have been issued but are not yet effective and have not been early adopted for the reporting year presented:

- Amendments to IAS 21, Lack of Exchangeability (2025)
- Amendments to IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments (2026)
- Annual Improvements to IFRS Accounting Standards - Volume 11, Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 (2026)
- IFRS 18, Presentation and Disclosure in Financial Statements (2027)
- IFRS 19, Subsidiaries without Public Accountability: Disclosures (2027)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (Deferred)

The Group is assessing the impact of these new standards and amendments.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024 and 2023. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directly by means of contractual arrangement. The Group has determined that the investment funds that the Group has interest are structured entities.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date at which the Group no longer has control. Intercompany transactions are eliminated.

The Group utilises the acquisition method of accounting to account for the acquisition of subsidiaries, unless the acquisition forms part of the Group reorganisation of entities under common control. Under this method, the cost of an acquisition is measured as the fair value of the considerations transferred, considerations payable, shares issued or liabilities assumed at the date of acquisition. For each acquisition of subsidiary, the Group elects whether to measure the non-controlling interests in the entity at fair value (“fair value approach”) or at the proportionate share of the entity’s identifiable net assets (“proportionate share approach”). The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (Note 2.9). The Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the subsidiary. Any surplus of the acquirer's interest in subsidiary's net assets over the cost of acquisition is credited to the consolidated income statement. Acquisition-related costs are expensed as incurred.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The consolidated financial statements of the Group include the assets, liabilities and results of entities now comprising the Group, using accounts drawn up to the reporting date.

(2) Investment funds

Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. In conducting the assessment, the Group considers substantive contractual rights as well as de facto control. De facto control of an entity may arise from circumstances where the Group does not have more than 50% of the voting power but it has the practical ability to direct the relevant activities of the entity. If the Group has power to remove or control over the party having the ability to direct the relevant activities of the fund based on the facts and circumstances and that the Group has exposure to variable returns of the investment funds, they are consolidated. Variable returns include both rights to the profits or distributions as well as the obligation to absorb losses of the investees.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(3) Non-controlling interests

Non-controlling interests are presented within equity except when they arise through the minority's interest in puttable liabilities such as the unit holders' interest in consolidated investment funds, when they are recognised as a liability, reflecting the net assets of the consolidated entity. Acquisitions and disposals of non-controlling interests, except when they arise through the minority's interest in puttable liabilities, are treated as transactions between equity holders. As a result, any difference between the amount by which the carrying amounts of the non-controlling interests are adjusted and the amount of the fair value of consideration received is recognised in the respective components of the equity attributable to the shareholders of the Company.

Perpetual securities issued by subsidiaries and classified as equity instruments are non-controlling interests of the Group, if they are held by investors other than the parent. Profit or loss and each component of OCI are attributable to the parent and other equity holders of the non-controlling interests after adjusting for any cumulative distributions on the perpetual securities, whether or not such distributions have been declared.

(4) Investments in associates and joint ventures

Associates are entities over which the Group has significant influence, but which it does not have control or joint control. Generally, it is presumed that the Group has significant influence if it has between 20 per cent and 50 per cent of voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under this method, the cost of the investment in an associate or joint venture, together with the Group's share of that entity's post-acquisition changes to equity, is included as an asset in the consolidated statement of financial position. Cost includes goodwill arising on acquisition. The Group's share of the post-acquisition profits or losses and other comprehensive income is recognised in the consolidated income statement and consolidated statement of comprehensive income, respectively. In addition, when there is a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Losses are also eliminated, unless the transaction provides evidence of an impairment of an asset transferred between entities.

When an investment in an associate is a venture capital organisation, a mutual fund, unit trust or similar entity, including unit-linked insurance funds (i.e. an investment entity) and the investment entity associate applies fair value measurement to its subsidiaries, the Group retains the fair value measurement applied by the investment entity associate to its interests in subsidiaries when applying the equity method.

2.3 Insurance and Investment contracts

Consistent accounting policies for the measurement and recognition of insurance and investment contracts have been adopted throughout the Group.

(1) Product classification

The Group classifies its contracts written including reinsurance issued or reinsurance contracts held as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. The Group applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts. The Group refers to such contracts as participating business.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Group to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. For investment contracts that do not contain DPF, *IFRS 9 Financial Instrument*, and, if the contract includes an investment management element, *IFRS 15, Revenue from contracts with customers,* are applied. Once a contract has been classified as an insurance contract reclassification is not subsequently performed unless the terms of the agreements are later amended.

Certain insurance and investment contracts with DPF supplement the amount of guaranteed benefits due to policyholders. These contracts are distinct from other insurance and investment contracts as the Group has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders. Customers may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the entity, fund or other entity that issues the contract.

In some jurisdictions, participating business is written in a participant fund which is distinct from the other assets of the Group. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation. The extent of such policyholder participation may change over time. The current policy participation in declared dividends for locations with participating funds is set out below:

Country	Current policyholder participation
Malaysia	90%
Vietnam	70%/75%
Singapore	90%

In some jurisdiction participating business is not written in a distinct fund and the Group refers to this as other participating business.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts measured under the variable fee approach (“VFA”) are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts held are classified as contracts without direct participation features. Some of these contracts are measured under the premium allocation approach (“PAA”).

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

The Group's products may be divided into the following main categories:

		Basis of accounting for:	
Policy type	Description of benefits payable	Insurance contract liabilities	Investment contract
Traditional participating life assurance with DPF	Participating funds Participating products include protection and savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing and bonus declarations is at the discretion of the insurer. Local regulators generally prescribed a minimum proportion of policyholder participation in declared dividend.	Insurance contracts liabilities make provision for the present value of guaranteed benefits, non-guaranteed participation and future administrative expenses that are directly attributable to the contract less estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable, as contracts with DPF are accounted for as insurance contracts under IFRS 17.
	Other participating business Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience.	Insurance contract liabilities make provision for the present value of guaranteed benefits, non-guaranteed participation and future administrative expenses that are directly attributable to the contract less estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable, as contracts with DPF are accounted for as insurance contracts under IFRS 17.
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Insurance contract liabilities reflect the present value of future policy benefits to be paid, the future administration expenses that are directly related to the contract and the mutual financial benefits to be paid from the common fund, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable
Non-participating life assurance, annuities and other protection products	Benefits payable are not at the discretion of the insurer.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Investment contract liabilities without DPF are measured at amortised cost.
Universal life	Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable as such contracts generally contain significant insurance risk.
Unit-linked	These may be primarily savings products or may combine savings with an element of protection.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value).

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF

(1) Separating components from insurance and reinsurance contracts issued

At inception, the Group separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Group separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

(2) Aggregation and recognition of insurance and reinsurance contracts issued

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.
When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

(3) Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts. The Group expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the Group expects to recover those cash flows.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(3) Insurance acquisition cash flows (continued)

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated.

The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

When the Group acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

At each reporting date, the Group revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

<u>Recoverability assessment</u>

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group:

a. recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
b. if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Group reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

(4) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group’s substantive rights and obligations and, therefore, may change over time.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting year in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Group, which may include both insurance and financial risks.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(5) Measurement – Contracts not measured under the PAA

Initial measurement

On initial recognition, the Group measures a group of insurance contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the Contractual Service Margin, “CSM”. The fulfilment cash flows of a group of insurance contracts do not reflect the Group’s non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under (3)) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(5) Measurement – Contracts not measured under the PAA (continued)

Subsequent measurement (continued)

The CSM of each group of contracts is calculated at each reporting date as follows.

Insurance contracts without direct participation features
The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year;
- differences between any loan to a policyholder expected to become repayable in the year and the actual amount that becomes repayable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

Direct participation contracts measured under VFA

Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of direct participating contracts, the Group adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group then adjusts any CSM for changes in the amount of the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(5) Measurement – Contracts not measured under the PAA (continued)

Subsequent measurement (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - — the Group has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - — a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - — an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows not varying based on the return on underlying items that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items – e.g. the effect of financial guarantees.

(6) Measurement – Contracts measured under the PAA

The Group generally uses the PAA to simplify the measurement of groups of contracts in the following circumstances:

- when the coverage period of each contract in the group is one year or less; or
- the Group reasonably expects that the resulting measurement of the liabilities for remaining coverage ("LRC") would not differ materially from the result of applying the accounting policies of contracts not measured under the PAA.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows for life insurance contracts). For non-life insurance contracts, the Group has chosen to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

The Group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(7) Derecognition and contract modification

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

(8) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The Group disaggregates amounts recognised in the statement of profit or loss and OCI into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses exclude any investment components.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(8) Presentation (continued)

Insurance revenue – Contracts not measured under the PAA

The Group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, such as experience adjustments for premium receipts for current or past services

In addition, the Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group recognises the allocated amount, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

Services provided by insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. In addition, insurance contracts without direct participation features may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount;
- the investment component or withdrawal amount is expected to include an investment return; and
- the Group expects to perform investment activities to generate that investment return.

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Insurance revenue – Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates the expected premium receipts to each period by the passage of time.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(8) Presentation (continued)

Loss components

For contracts not measured under the PAA, the Group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows, excluding investment component, plus the risk adjustment for non-financial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognised in the year).

Changes in fulfilment cash flows relating to future services and changes in the amount of the Group's share of the fair value of the underlying items for direct participating contracts are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses: For some contracts, incurred claims also include premiums waived on detection of critical illness.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, other than non-life contracts, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

2.3.2 Reinsurance contracts held

To the extent that reinsurance contracts held principally transfer financial risk (as opposed to insurance risk) they are accounted for directly through the consolidated statement of financial position and are not included in reinsurance assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

For reinsurance contracts held that transferred significant insurance risk, they are accounted for as follows.

(1) Aggregation and recognition of reinsurance contracts held

Groups of reinsurance contracts held are established such that each group comprises a single contract. Some reinsurance contracts held provide cover for underlying contracts that are included in different groups. However, the Group concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Group's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(1) Aggregation and recognition of reinsurance contracts held (continued)

A group of reinsurance contracts held is recognised on the following date:

- Reinsurance contracts held initiated by the Group that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised.
- Other reinsurance contracts held initiated by the Group: The beginning of the coverage period of the group of reinsurance contracts held. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date. This applies to the Group's excess of loss and stop loss reinsurance contracts held.
- Reinsurance contracts held acquired: The date of acquisition.

(2) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting year in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

(3) Measurement – Contracts not measured under the PAA

To measure a group of reinsurance contracts held, the Group applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.
The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Group recognises the cost immediately in profit or loss as an expense.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(3) Measurement – Contracts not measured under the PAA (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

Reinsurance of onerous underlying insurance contracts

The Group adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts held.

For reinsurance contracts held acquired in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- the amount of the loss component that relates to the underlying contracts at the date of acquisition; and
- the percentage of claims on the underlying contracts that the Group expects at the date of acquisition to recover from the reinsurance contracts held.

For reinsurance contracts acquired in a business combination, the adjustment to the CSM reduces goodwill or increases a gain on a bargain purchase.

If the reinsurance contract held covers only some of the insurance contracts included in an onerous group of contracts, then the Group uses a systematic and rational method to determine the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

A loss-recovery component is created or adjusted for the group of reinsurance contracts held to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

(4) Measurement – Contracts measured under the PAA

The Group applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts held measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(5) Derecognition and contract modification

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract’s terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

(6) Presentation

Portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios of contracts.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as ‘net expenses from reinsurance contracts held in the insurance service result.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts held. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts held covering onerous underlying contracts, the Group establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:
- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts held relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts held.

2.3.3 Investment contracts without DPF

Investment contracts without DPF which do not contain sufficient insurance risk are not considered as insurance contracts and are accounted for as a financial liability.

Revenue from these contracts consists of various charges (policy fees, handling fees, management fees and surrender charges) made against the contract for the cost of insurance, expenses and early surrender. First year charges are amortised over the life of the contract as the services are provided.

(1) Investment contract fee revenue

Customers are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's account balance. The fees are recognised as revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

Origination and other “upfront” fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment and pension contracts. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are amortised and recognised as the services are provided.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.3 Investment contracts without DPF (continued)

(2) Investment contract liabilities

Deposits collected and benefit payments under investment contracts without DPF are not accounted for through the consolidated income statement, except for the investment income and fees attributed to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The majority of the Group's contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value) and an unearned revenue liability and sales inducement liability where applicable. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue, and accounted for as described under “Investment contract fee revenue” above.

2.4 Financial Instruments

2.4.1 Classification and measurement of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting year following the change in the business model.

(1) Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

(2) Financial asset is measured at fair value through other comprehensive income

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

Financial asset is measured at FVOCI are initially recognized at fair value plus attributable transaction costs. The difference between the initial recognition amount and par value is amortized. Interest income from FVOCI debt securities is recognized in investment income in the consolidated income statement using the effective interest method. FVOCI debt securities are subsequently measured at fair value. Changes in the fair value, except for relevant foreign exchange gains and losses and impairment losses, are recognized in other comprehensive income and accumulated in a separate fair value reserve within equity. Foreign currency translation differences on these debt securities are calculated as if they were carried at amortized cost and are recognized in the consolidated income statement as investment experience. Impairment losses are recognized in the consolidated income statement.

On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(3) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Dividend income from equity securities or investment funds at fair value through profit or loss is recognised in investment income in the consolidated income statement, generally when the security becomes ex-dividend. Interest income is recognised on an accrued basis. For all financial assets at fair value through profit or loss, changes in fair value are recognised in other investment gains/(losses).

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

(4) Business model assessment

The Group assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

For a majority of debt investments, the objective of the Group's business model is to fund insurance contract liabilities. The Group undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to ensure that contractual cash flows from the financial assets are sufficient to settle insurance contract liabilities. The Group determines that both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the business model's objective.

Loans and deposits are held in separate portfolios for long-term yield. These assets may be sold, but such sales are not expected to be more than infrequent. The Group considers that these assets are held within a business model whose objective is to hold assets to collect the contractual cash flows.

(5) Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(5) Assessment of whether contractual cash flows are SPPI (continued)

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

Some prepayment features permit the debtor to prepay the debt instrument at an amount calculated as the remaining contractual cash flows discounted at the current market benchmark interest rate plus a fixed spread. The Group has determined that these prepayment features are consistent with the SPPI criterion. Because the Group would be compensated only for the change in the market benchmark interest rate and for lost interest margin, the prepayment penalty would not include any non-SPPI risks and may be seen as reasonable compensation.

(6) Realised gains and losses on financial assets

Realised gains and losses on FVOCI debt securities are determined as the difference between the sale proceeds and amortised costs and the cumulative gains and losses are reclassified to profit or loss from other comprehensive income.

Cumulative gains and losses recognised in other comprehensive income on FVOCI equity securities are not reclassified to profit or loss but transferred to retained earnings on disposal of an investment.

Purchases and sales of financial instruments are recognized on the trade date, which is the date at which the Group commits to purchase or sell the assets.

(7) Financial liabilities

The Group classifies its financial liabilities, into one of the following categories:

- financial liabilities at FVTPL, and within this category as:
  - held-for-trading;
  - derivative hedging instruments; or
  - designated as at FVTPL; and
- financial liabilities at amortised cost.

The Group has designated investment contract liabilities as at FVTPL on initial recognition if the related assets are measured at FVTPL and the designation eliminates a measurement inconsistency.

All investment contract liabilities have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset-specific performance risk and not credit risk, and the liabilities are fully collateralised. The Group has determined that any residual credit risk is insignificant and has not had any impact on the fair value of the liabilities.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(8) Derecognition and offset

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Group is exposed to changes in the fair value of the asset.

Financial liabilities are generally derecognised when their contractual obligations expire or are discharged or cancelled. If the terms of a financial instrument are modified, then the Group evaluates whether the cash flows of the modified financial instrument are substantially different. If the cash flows are substantially different, in which case, a new financial instrument based on the modified terms is recognised at fair value. If a financial instrument measured at amortised cost is modified but not substantially, then it is not derecognised.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(9) Loans and deposits

Loans and deposits are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans and receivables is recognised in investment income in the consolidated income statement using the effective interest method.

(10) Term deposits

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in Note 17 Financial Investments. Deposits are stated at amortised cost using the effective interest method.

(11) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities at acquisition of three months or less, which are held for cash management purposes. Cash and cash equivalents also include cash received as collateral for derivative transactions, and repo and reverse repo transactions. Cash and cash equivalents are measured at amortised cost using the effective interest method.

Bank deposits which are restricted to use are included in ‘‘restricted cash’’ within “other assets” in the consolidated statement of financial position. Restricted cash are excluded from cash and cash equivalents.

2.4.2 Fair values of non-derivative financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Group has access. The fair values of financial instruments traded in active markets (such as financial instruments at fair value through profit or loss and at fair value through other comprehensive income) are based on quoted market prices at the date of the consolidated statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions at each reporting date. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the consolidated statement of financial position.

Financial instruments carried at fair value are measured using a fair value hierarchy described in Note 19.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.3 Impairment of financial assets

(1) General

The Group recognises loss allowances for expected credit loss (ECL) on financial assets measured at amortised cost and debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to 12-month ECL, except for Stage 2 and Stage 3 assets where a lifetime ECL is recognised.

ECL is assessed in three stages:

Stage 1: if the financial asset is not credit-impaired upon origination and the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial asset is not credit-impaired upon origination but the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL. Lifetime ECL results from all possible default events over the expected life of the financial instrument; and

Stage 3: if the financial asset is credit-impaired, with one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, the loss allowance is also measured at an amount equal to the lifetime ECL.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

For debt securities at low credit risk at the reporting date, it is assumed that the credit risk has not increased significantly since initial recognition, and hence, the loss allowance is measured at an amount up to 12-month ECL.

(2) Measurement of ECL

ECL is calculated as a probability-weighted forward-looking estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

(3) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost, debt investments at FVOCI and lease receivables are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to mitigating actions. The criteria of “default” are consistent with those of “credit-impaired”.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.3 Impairment of financial assets (continued)

(3) Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Group on terms that the Group would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

(4) Presentation of loss allowances in the statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- debt investments measured at FVOCI: the loss allowance does not reduce the carrying amount of the financial assets (which are measured at fair value) but gives rise to an equal and opposite gain in OCI.

ECL is recognised as "Net impairment loss on financial assets" in the consolidated income statement.

(5) Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Although the Group expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities and company activities, that may result in recovery of written off amounts.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.4 Derivative financial instruments

Derivative financial instruments primarily include foreign exchange contracts, interest rate swaps and bond forwards that derive their value mainly from underlying foreign exchange rates, interest rates and bond prices. All derivatives are initially recognised in the consolidated statement of financial position at their fair value, which represents their cost excluding transaction costs which are expensed. They are subsequently remeasured at their fair value, with movements in this value recognised in profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

(1) Derivative instruments for economic hedges

Whilst the Group enters into derivative transactions to provide economic hedges under the Group's risk management framework, it adopts hedge accounting to these transactions only in limited circumstances. This is either because the transactions would not meet the specific IFRS rules to be eligible for hedge accounting or the documentation requirements to meet hedge accounting criteria would be unduly onerous. Where hedge accounting does not apply, these transactions are treated as held for trading and fair value movements are recognised immediately in other investment gains/(losses).

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

(2) Derivative instruments for hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

(i) Fair value hedge

Where a derivative financial instrument is designated as a hedge of the fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), changes in the fair value of the derivative are recorded in the consolidated income statement, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the Group revokes the designation of the hedge relationship, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statement over the residual period to maturity.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.4 Derivative financial instruments (continued)

(2) Derivative instruments for hedge accounting (continued)

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated separately in the hedging reserve under equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statement.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognised within OCI in the costs of hedging reserve within equity.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated cumulative gain or loss and the deferred time value of the option contracts or deferred forward points, if any, is removed from equity and recognised in the consolidated income statement in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statement (such as when the interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the consolidated income statement in the same period or periods during which the hedged forecast transaction affects the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, or the Group revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss and deferred costs of hedging at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss and deferred costs of hedging recognised in equity is recognised immediately in the consolidated income statement.

(3) Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. When the host contract is a financial asset in the scope of IFRS 9, the hybrid financial instrument as a whole is assessed for classification and the embedded derivative is not separated from the host contract.

A derivative embedded in a host insurance or reinsurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract.

For other contracts, where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with IFRS 9.

2.5 Segment reporting

An operating segment is a component of the Group that engages in business activity from which it earns revenues and incurs expenses and, for which, discrete financial information is available, and whose operating results are regularly reviewed by the Group's chief operating decision-maker for the purposes of allocating resources to, and assessing the performance of, the Group's various geographical locations.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation

(1) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are presented in the United States dollars ("US dollar" or "US$"), which is the functional currency of the Company, unless otherwise stated.

(2) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency, are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Groups of insurance and reinsurance contracts that generate cash flows in a foreign currency, including the CSM, are treated as monetary items.

Translation differences on financial assets measured at fair value through profit or loss are included in investment return. For monetary financial assets measured at fair value through other comprehensive income, exchange differences on the amortised cost are recognised in profit or loss and other exchange differences in the carrying amount are recognised in other comprehensive income.

Exchange differences relate to groups of insurance and reinsurance contracts to the extent which changes in the carrying amount of the groups of contracts that are recognised profit or loss, are recognised in profit or loss. Exchange differences relate to groups of insurance and reinsurance contracts to the extent which changes in the carrying amount of the groups of contracts that are recognised in other comprehensive income, are recognised in other comprehensive income.

(3) Group companies

Income statement and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the period as this approximates to the exchange rates prevailing at the transaction date. Their statement of financial position are translated at year or period end exchange rates. Exchange differences arising from the translation of the net investment in foreign operations, are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve and are recognised in the consolidated income statement as part of the gain or loss on sale.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment and depreciation

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Right-of-use assets in relation to other leased property, plant and equipment are carried at cost less accumulated depreciation. The right-of-use asset in relation to a lease is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Depreciation is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, generally:

Leasehold improvements	Over the lease terms
Furniture and fixtures and others	3 - 5 years
Computer equipment	3 - 5 years

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits will flow to the Group. Repairs and maintenance are charged to the consolidated income statement during the financial year in which they are incurred.

Residual values and useful lives are reviewed and adjusted, if applicable, at each reporting date. An asset is written down to its recoverable amount if the carrying value is greater than the estimated recoverable amount.

Any gain and loss arising on disposal of property, plant and equipment is measured as the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

2.8 Investment property

Property held for long-term rental or capital appreciation, or both that is not occupied by the Group is classified as investment property. Investment property, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the consolidated income statement.

If an investment property becomes held for own use, it is reclassified as property, plant and equipment. Where a property is partly used as an investment property and partly for the use by the Group, these elements are recorded separately within investment property and property, plant and equipment, respectively, where the component used as investment property would be capable of separate sale or lease.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.9 Goodwill and other intangible assets

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill arising on the Group's investment in subsidiaries is shown as a separate asset and is carried at cost less any accumulated impairment losses, whilst that on associates and joint ventures is included within the carrying value of those investments. All acquisition-related costs are expensed as incurred.

(2) Distribution rights

Distribution rights represent contractual relationships for exclusive access to distribution networks, and are amortised over their estimated useful lives.

Costs (including contingent considerations where applicable) associated with acquiring rights to access distribution networks are amortised on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the intangible asset. These amortisation charges are subsequently allocated to groups of insurance contracts if they are directly attributable to insurance acquisition or other fulfilment activities.

(3) Other intangible assets

Other intangible assets consist primarily of computer software, and are amortised over their estimated useful lives.

Purchased computer software licenses are capitalised on the basis of the costs incurred to purchase and bring to use the specific software. Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Costs of purchasing computer software licenses and incurred in the internal production of computer software are amortised using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 15 years. Useful lives of computer software licenses are determined based on various factors, including but not limited to the expected usage of the software, typical life cycles, types of obsolescence and period of license (if applicable). The amortisation charge for the period is included in the consolidated income statement under "General expenses".

2 MATERIAL ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets

Property, plant and equipment, and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying values of goodwill and intangible assets with indefinite useful lives are reviewed at least annually or when circumstances or events indicate that there may be uncertainty over this value.

For the purposes of assessing impairment, assets are allocated to each of the Group's cash-generating units, or group of cash-generating units, the lowest level for which there are separately identifiable cash flows.

An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of the asset less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group assesses at the end of each reporting year whether there is any objective evidence that its investments in associates and joint ventures are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the associates and joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or a joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

2.11 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale. Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

2.12 Collateral

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of derivative transactions and reinsurance arrangements, in order to reduce the credit risk of these transactions. The amount and type of collateral depends on an assessment of the credit risk of the counterparty. Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the consolidated statement of financial position with a corresponding liability for the repayment. Non-cash collateral received is not recognised on the consolidated statement of financial position unless the Group sells these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability. To further minimise credit risk, the financial condition of counterparties is monitored on a regular basis.

Collateral pledged in the form of cash which is legally segregated from the Group is derecognised from the consolidated statement of financial position and a corresponding receivable established for its return. Non-cash collateral pledged is not derecognised (except in the event of default) and therefore continues to be recognised in the consolidated statement of financial position within the appropriate financial instrument classification.

2.13 Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. All borrowing costs are expensed as they are incurred, except for borrowing costs directly attributable to the development of investment properties and other qualifying assets, which are capitalised as part of the cost of the asset.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.14 Income taxes

Income tax comprises current and deferred tax. The current tax expense is based on the taxable profits for the period, including any adjustments in respect of prior years. Tax is allocated to profit or loss before taxation and amounts charged or credited to equity as appropriate.

Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except as described below.

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities and revaluation of certain financial assets and liabilities including derivative contracts. The rates enacted or substantively enacted at the date of the consolidated statement of financial position are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In countries where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is evidence that future profits will be available.

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill or from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and which affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax related to fair value remeasurement of investments measured at fair value through other comprehensive income and other amounts taken directly to equity, is recognised initially within the applicable component of equity. It is subsequently recognised in the consolidated income statement, together with the gain or loss arising on the underlying item.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules income taxes.

In addition to paying tax on shareholders' profits, certain of the Group's life insurance businesses pay tax on policyholders' investment returns (policyholder tax) at policyholder tax rates. Policyholder tax is accounted for as an income tax and is included in the total tax expense and disclosed separately.

2.15 Revenue

(1) Insurance revenue

The Group recognises insurance revenue as it provides services under groups of insurance contracts (see Note 2.3.1 (8)).

(2) Investment return

Investment income consists of dividends, interest and rents receivable for the reporting year. Investment experience comprises realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Dividend income is recognised on the date the shares become quoted ex-dividend. Rental income on investment property is recognised on an accrual basis. Investment return consists of investment income and investment experience.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase price if purchased during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.15 Revenue (continued)

(3) Other revenue

Other revenue consist primarily of fund management fees, income from any incidental non-insurance activities and distribution fees from mutual funds.

Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. In case of variable consideration contracts, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty is subsequently resolved.

2.16 Employee benefits

(1) Annual leave

The Group provides annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of a reporting year is permitted to be carried forward and utilised by the respective employees in the following year. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(2) Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates).

For defined benefit plans, the costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the consolidated statement of financial position.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in “Employee benefits expenses” in the consolidated income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in consolidated income statement when the plan amendment or curtailment occurs.

For defined contribution retirement benefits schemes, the Group pays contributions to independently administered funds. Once the contributions have been paid, the Group, as employer, does not have any further payment obligations. The Group’s contributions are charged to the consolidated income statement in the reporting year to which they relate and are included in “Employee benefits expenses”. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions becoming fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group's obligations under defined benefits plans and defined contribution plans are included in “Provisions” of the consolidated statement of financial position.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.16 Employee benefits (continued)

(3) Long service payments

Certain employees of the Group are eligible for long service payments in the event of the termination of their employment according to certain local Employment Ordinances. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in those Employment Ordinances.

(4) Share-based compensation

The Group launched a share-based compensation plan, under which the Group awards restricted shares units ("RSU") and/ or share options of the Group to certain key employees as part of compensation for services provided in achieving shareholder value targets. This share-based compensation plan is known as the FWD Share Option and RSU Plan.

The Group's share-based compensation plan is equity-settled plan. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the award of RSU and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the RSU and/or share options awarded on respective grant date or fixed monetary value. Non-market vesting conditions are included in assumptions about the number of RSU and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of RSU and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Group estimates the fair value of the awards using appraisal value method (Embedded Value plus a multiple of Value of New Business) and market valuation approach, where applicable, for the RSU and Black-Scholes model for the share options.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

(5) Termination benefits

Termination benefits are payable and recognised at the earlier of: (a) when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting year are discounted to present value.

2.17 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract held, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. Provisions comprise of provisions in respect of regulatory matters, litigation, reorganisation and restructuring.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingencies are disclosed if material and if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.18 Lease

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Assets subject to such leases are included in investment property. Rentals from such leases are credited to the consolidated income statement on a straight-line basis over the period of the relevant lease.

Group as a lessee
The Group leases various premises, car parks, equipment and other small items as a lessee. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. Right-of-use assets are presented as a component of property, plant and equipment while lease liabilities are presented as a component of other liabilities (see Notes 14 and 24). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in Notes 9 and 10.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the respective business unit (as the lessee) within the Group. Furthermore, a maturity analysis of the Group's lease liabilities is disclosed in Note 27.

Right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive for the lessee to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) by the lessee. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer hardware and small items of furniture and fixtures that are individually, when new, below US$5,000.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.19 Share capital

Ordinary shares, preference shares and convertible preference shares are classified in equity when there is no contractual obligation to transfer cash or other assets or to deliver a variable number of the Group's own equity instruments to the holders.

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

Dividends are recognised when they have been approved by shareholders.

2.20 Presentation of the consolidated statement of financial position

The Group’s insurance and investment contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Group’s products. Accordingly, the Group presents the assets and liabilities in its statement of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Group regards its intangible assets, investments in associates and joint ventures, property, plant and equipment and investment property as non-current assets as these are held for the longer-term use of the Group.

2.21 Fiduciary activities

Assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, are excluded from these consolidated financial statements where the Group does not have contractual rights to the assets and acts in a fiduciary capacity such as nominee, trustee or agent.

2.22 Consolidated statement of cash flow

The consolidated statement of cash flow presents movements in cash and cash equivalents and bank overdrafts as shown in the consolidated statement of financial position.

Purchases and sales of financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims. Purchases and sales of investment property are included within cash flows from investing activities.

2.23 Related parties

Transactions with related parties are recorded at amounts mutually agreed and transacted between the parties to the arrangement.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly. Key judgments, estimates and assumptions are described below.

3.1 Level of aggregation and recognition of group of insurance contracts

For contracts issued to which the Group does not apply the premium allocation approach, the judgements exercised in determining whether contracts are not onerous on initial recognition would have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if the occurred, would result in the contracts becoming onerous; and
- using information about profitability estimation for the relevant group of products.

The accounting policy on level of aggregation and recognition of group of insurance contracts is described in Note 2.3.

3.2 Insurance contracts not measured under the premium allocation approach

(1) Measurement

The asset or liability for groups of insurance contracts is measured as the total of fulfilment cash flows and CSM.

The fulfilment cash flows of insurance contracts (including investment contracts with DPF) represents the present value of estimated future cash outflows, less the present value of estimated future cash inflows and adjusted for a provision for the risk adjustment for non-financial risk. The assumptions used and the techniques for estimating fulfilment cash flows and risk adjustment for non-financial risk are based on actual experience by each geographical market and policy form. The Group exercises significant judgement in making appropriate assumptions and techniques.

CSM represents the unearned profits that the Group will recognise as it provides services under the insurance contracts in a group. The amounts of CSM recognised in profit or loss are determined by identifying the coverage units in the group, allocating the CSM at the end of period equally to each coverage unit provided in the current period and expected to be provided in the future. The number of coverage units in a group is the quantity of the services provided by the contracts in the group, determined by considering for each contract the quantity of the services provided under a contract and its expected coverage period. The Group exercises judgements in determining the quantity of the services provided under a contract which will affect the amounts recognised in the consolidated financial statements as insurance revenue from insurance contracts issued.

The judgements exercised in the valuation of insurance contracts (including investment contracts with DPF) affect the amounts recognised in the consolidated financial statements as assets or liabilities of insurance contracts and investment contracts with DPF. Further details of the related accounting policies in respect of insurance contracts are provided in Note 2.3.

(2) Determination of coverage unit

The CSM of a group of contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, its expected coverage period and time value of money.

The quantity of services provided by insurance contracts could include insurance coverage, investment-return service and investment-related service, as applicable. In assessing the services provided by insurance contracts, the terms and benefit features of the contracts are considered.

For contracts providing predominately insurance coverage, the quantity of services is determined for the contract as a whole based on the expected maximum benefits less investment component. For contracts providing multiple services, the quantity of services is determined based on the benefits provided to policyholder for each service with the relative weighting considered in the calculation through the use of factors. Relevant elements are considered in determining the quantity of service including among others, benefit payments and premiums. The Group applies judgement in these determinations.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Insurance contracts not measured under the premium allocation approach (continued)

(2) Determination of coverage unit (continued)

Expected coverage period is derived based on the likelihood of an insured event occurring to the extent they affect the expected duration of contracts in the group. Determining the expected coverage period is judgemental since it involves making an expectation of when claims and lapse will occur.

3.3 Fair value of financial assets

The Group determines the fair values of financial assets traded in active markets using quoted bid prices as of each reporting date. The fair values of financial assets that are not traded in active markets are typically determined using a variety of other valuation techniques, such as prices observed in recent transactions and values obtained from current bid prices of comparable investments. More judgement is used in measuring the fair value of financial assets for which market observable prices are not available or are available only infrequently.

The degree of judgement used in measuring the fair value of financial assets generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

Changes in the fair value of financial assets held by the Group's participating funds affect not only the value of financial assets, but are also reflected in corresponding movements in insurance and investment contract liabilities. This is due to an insurance liability being recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders if all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based on current local regulations. Both of the foregoing changes are reflected in the consolidated income statement.

Changes in the fair value of financial assets held to back the Group's unit-linked contracts result in a corresponding change in insurance and investment contract liabilities. Both of the foregoing changes are also reflected in the consolidated income statement.

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in Notes 19 and 27.

3.4 Fair value of investment property

The Group uses independent professional valuers to determine the fair value of investment property on the basis of the highest and best use of the investment property that is physically possible, legally permissible and financially feasible. In most cases, current use of the investment property is considered to be the highest and best use for determining the fair value. The discounted cash flow approach is used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the investment property.

Further details of the fair value of investment property are provided in Notes 15 and 19.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.5 Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions. Further details of the impairment of goodwill and other intangible assets during the period are provided in Note 12.

3.6 Share based compensation

The Group launched a share-based compensation plan, under which the Group offers RSU and/or share options of the Group to certain key employees.

(1) RSUs

The Group utilises an appraisal value method (Embedded Value (“EV”) plus a multiple of Value of New Business (“VNB”)) and market valuation approach, where applicable, to estimate the fair value of the RSUs, taking into account the terms and conditions upon which the awards were granted. The Group determines appraisal value on the following basis:
- For life insurance businesses, the appraisal value equals EV plus a multiplier of VNB for the calendar year at the end of each performance period. The multiplier was agreed with the shareholders for the purpose of assessing the performance conditions.
- For non-life businesses, the appraisal value is calculated as the net asset value plus a multiplier of the net profits for the calendar year at the end of each performance period.
- For non-operating entities, the appraisal value is equal to the net asset value for the calendar year at the end of each performance period.

In assessing the achievement of performance conditions, the Group takes into account all monthly cash flow items during the performance period and the appraisal value and business and strategic performance determined in accordance with the guidelines approved by the Compensation Committee.

The judgments exercised in the determination of appraisal value and the assessment of achievement of performance conditions affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 29.

Under the market valuation approach, the Group estimates the fair value of the RSUs by applying valuation multiples based on market data of comparable listed companies.

Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 29.

(2) Share Options

The Group estimates the fair value of share options using the Black-Scholes model taking into account the terms and conditions upon which the awards were granted. The Group determines the fair value of share options by using the following input:
- Dividend yield
- Expected share price volatility
- Risk-free interest rate
- Expected life of the share options
- Appraisal value per share, using the same valuation methodology as is used in the RSU plan

The assessment of achievement of performance conditions of share options is the same as described above for RSUs.

The judgments exercised in the determination of share-option fair value and the assessment of achievement of performance condition affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 29.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.7 Income taxes

Significant management judgment on the future tax treatment of certain transactions is required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account developments in tax laws. Tax laws evolve over time, and in some cases taxation positions are uncertain because the tax laws are subject to varied interpretation. When this is the case, management seeks to adopt a supportable and prudent tax treatment after consultation with professional tax advisers. However, as judicial and non-judicial interpretations develop, these taxation positions may change in the future.

3.8 Valuation of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits with future tax planning strategies. Further details are contained in Note 11 to the consolidated financial statements.

3.9 Impairment of financial assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at FVOCI. The measurement of ECL uses probability weighted forward-looking models with significant assumptions about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk since initial recognition;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the methodology for incorporating forward-looking information into the measurement of ECL.

When determining whether the credit risk (i.e. risk of default) on a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's experience, credit assessment performed by internal and external experts and forward-looking information. The Group determines a significant increase in credit risk based on various criteria for different categories of assets, including rating notch downgrade, days past due, expert judgement and other qualitative factors.

The Group has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade", with credit rating equivalent to be Baa3 or above. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, unless there are other indications that there is no significant increase in credit risk.

Details are further disclosed in Note 27.

4 EXCHANGE RATES

The Group's principal operations during the reporting years were located within the Asia region. The results and cash flows of these operations have been translated into US Dollars at the following average rates:

	US dollar exchange rate	
	Year ended 31 December	
	2024	2023
Hong Kong	7.80	7.83
Japan	151.45	140.45
Thailand	35.28	34.80

Assets and liabilities have been translated into US Dollars at the following year end rates:

	US dollar exchange rate	
	As at 31 December	
	2024	2023
Hong Kong	7.76	7.81
Japan	156.18	141.38
Thailand	34.26	34.24

Exchange rates are expressed in units of local currency per US$1.

5 CHANGES IN GROUP COMPOSITION

This note provides details of the major acquisition of subsidiaries that the Group has made for the years ended 31 December 2024 and 2023.

Acquisition

FWD BSN Holdings Sdn. Bhd. (Malaysia) (formerly known as "Gibraltar BSN Holdings Sdn Bhd")

On 3 April 2023, FWD Management Holdings Limited ("FMH"), a wholly owned subsidiary of the Company, with local investors, acquired 70% of share capital in FWD BSN Holdings Sdn. Bhd. (Malaysia), a company established under the laws of Malaysia, which is the holding company of FWD Insurance Berhad (Malaysia) (formerly known as "Gibraltar BSN Life Berhad"), a life insurance company in Malaysia ("GBSN Acquisition") from the Prudential Insurance Company of America (the "Seller"). Total consideration of the GBSN Acquisition was US$20m.

Negative goodwill arising on the GBSN Acquisition of US$26m is recognised in "other revenue" in the Group's consolidated income statement. The amount of this negative goodwill attributable to FMH is US$5m. The transaction resulted in a bargain purchase gain as the fair value of the assets and liabilities acquired exceeds the sum of the consideration transferred at the date of acquisition.

The Group incurred US$2m of acquisition-related costs which were recognised as "other expenses" in the Group's consolidated income statement.

5 CHANGES IN GROUP COMPOSITION (continued)

Acquisition (continued)

FWD BSN Holdings Sdn. Bhd. (Malaysia) (formerly known as "Gibraltar BSN Holdings Sdn Bhd") (continued)

Details of the fair value of the assets and liabilities acquired and the negative goodwill arising from the acquisition are set out as follows:

US$m	Notes		Fair values as at the date of acquisition
Intangible assets	12		2
Property, plant and equipment	14		4
Investment property	15		1
Reinsurance contract assets	16		3
Financial investments	17,19		
At fair value through other comprehensive income debt securities			283
At fair value through profit or loss			
Equity Securities			127
			410
Other assets	20		11
Cash and cash equivalents	21		39
Insurance contract liabilities	16		(385)
Deferred tax liabilities	11		(6)
Other liabilities	24		(13)
Net identifiable assets acquired			**66**
Non-controlling interest measured with proportionate share approach			(20)
Negative goodwill arising on acquisition attributable to non-controlling interests		(21)	
Negative goodwill arising on acquisition attributable to FMH		(5)	
Negative goodwill arising on acquisition			**(26)**
Total considerations from non-controlling interests		16	
Total considerations from FMH		4	
Total considerations			**20**
Less:			
Cash and cash equivalents held in acquired subsidiaries			(39)
Net change in cash and cash equivalents			**(19)**

Concurrently, the Group received US$27m from the Seller for development of certain IT infrastructures and enhancement of operational efficiency. Accordingly, the net cash consideration received was US$7m.

Impact of acquisition on the results of the Group

The acquiree contributed insignificant insurance revenue and loss before tax to the Group for the period from the acquisition date to 31 December 2023. If the GBSN Acquisition had occurred on 1 January 2023, pro-forma insurance revenue and loss before tax contributed by the acquiree for the year ended 31 December 2023 would be insignificant. This financial information is prepared in accordance with the accounting policies of acquiree.

6 SEGMENT INFORMATION

The Group's operating segments, based on the reports received by the Group's Executive Committee, are the geographical markets in which the Group operates.

Each of the reportable segments, other than the “Corporate and Others” segment, writes life insurance business, providing life insurance, accident and health insurance and savings plans to customers in its local market, and distributes related investment and other financial service products. Certain businesses also write general insurance business (“Non-core business”). The reportable segments are Hong Kong (including Macau), Thailand (including Cambodia), Japan, Emerging Markets and Corporate and Others. Emerging Markets includes the Group’s insurance operations in Indonesia, Malaysia, the Philippines, Singapore and Vietnam. The activities of the Corporate and Others segment consist of the Group's corporate functions, shared services and eliminations of intragroup transactions.

The acquired subsidiaries and their respective operations in 2023 are FWD BSN Holdings Sdn. Bhd. (Malaysia) and its subsidiary which is included in Emerging Markets.

As each reportable segment other than the Corporate and Others segment focuses on serving the life insurance needs of its local market, there are limited transactions between reportable segments. The key performance indicators reported in respect of each segment are:

- Total weighted premium income attributable to Equity Holders of the Company[1] (“TWPI”) (Note 6.5);
- Investment return (Note 6.1)
- Operating expenses (Note 6.1);
- Operating profit after tax attributable to Equity Holders of the Company[1] (Note 6.2); and
- Expense ratio, measured as operating expenses attributable to Equity Holders of the Company[1] divided by TWPI (Note 6.1);

The segment information has been prepared by (i) consolidating the carrying amounts of assets, liabilities, equities, income and expenses of the Group and (ii) eliminating the inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group. A reconciliation of operating profit after tax to profit/(loss) after tax has been included in Note 6.2.

The shareholders’ allocated segment equity represents the segment assets less segment liabilities in respect of each reportable segment less perpetual securities, fair value reserve, insurance finance reserve and non-controlling interests of the Company[1].

In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Corporate and Others segment and capital inflows consist of capital injections into reportable segments by the Corporate and Others segment. Emerging Markets' capital inflows also include capital allocation for corporate functions. For the Group, net capital in/(out) flows reflect the amount received from shareholders by way of capital contributions.

Note:

[1] Equity Holders of the Company represented i) shareholders of the Company, holders of perpetual securities and non-controlling interests holders of FL and FGL before the Exchange of Share Capital of FL and FGL, ii) shareholders of the Company and holders of perpetual securities of the Company after the Exchange of Share Capital of FL and FGL and Novation of Perpetual Securities. For details, please refer to Note 1.2, Note 25.3 and Note 25.5.

6 SEGMENT INFORMATION (continued)

6.1 Segment results

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Year ended 31 December 2024						
TWPI[2]	**2,106**	**2,468**	**1,249**	**809**	**—**	**6,632**
Insurance revenue	973	760	583	350	—	2,666
Insurance service expenses	(711)	(590)	(406)	(350)	—	(2,057)
Net income/(expenses) from reinsurance contracts	(15)	5	(24)	(1)	—	(35)
Insurance service result	**247**	**175**	**153**	**(1)**	**—**	**574**
Investment return	1,067	454	135	198	35	1,889
Net finance income/(expenses) from insurance and reinsurance contract and movement of investment contract benefits	(1,007)	(401)	7	(169)	—	(1,570)
Net insurance and investment result	**307**	**228**	**295**	**28**	**35**	**893**
Other revenue	7	—	1	27	—	35
General and other expenses	(45)	(38)	(54)	(59)	(152)	(348)
Borrowings and other finance costs	(8)	—	(1)	(12)	(1)	(22)
Operating profit/(loss) before share of profit from associates and joint ventures	**261**	**190**	**241**	**(16)**	**(118)**	**558**
Share of profit/(loss) from associates and joint ventures	—	—	—	33	—	33
Operating profit/(loss) before tax[1]	**261**	**190**	**241**	**17**	**(118)**	**591**
Tax on operating profit/(loss) before tax	(43)	(42)	(48)	4	(10)	(139)
Operating profit/(loss) after tax[1]	**218**	**148**	**193**	**21**	**(128)**	**452**
Key operating ratio						
Expense ratio[2]	12.5 %	8.1 %	14.1 %	27.6 %	—	15.3 %
Operating profit/(loss) before tax includes:						
Operating expenses	(264)	(201)	(176)	(258)	(152)	(1,051)

Notes:
1 Excludes results of the Non-core business, comprising of US$1m operating gain before tax.
2 Represents the amount attributable to the Equity Holders of the Company.

6 SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

Segment information below represents the financial position of the Group:

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
31 December 2024						
Total assets	22,016	18,906	7,347	5,137	306	53,712
Total liabilities	(19,076)	(15,590)	(6,102)	(3,205)	(2,925)	(46,898)
Total equity	2,940	3,316	1,245	1,932	(2,619)	6,814
Shareholders' allocated equity	3,119	3,836	831	1,875	(3,357)	6,304
Net capital in/(out) flows	(400)	(95)	(128)	123	474	(26)
Total assets include:						
Investment in associates and a joint venture	1	—	—	437	—	438

Segment information is reconciled to the consolidated income statement, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Total	
Year ended 31 December 2024					
Insurance service result	574	—	96	670	Insurance service result
Investment return	1,889	(627)	—	1,262	Investment return
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(1,570)	549	—	(1,021)	Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits
Net insurance and investment result	**893**	**(78)**	**96**	**911**	**Net insurance and investment result**
Other revenue	35	—	1	36	Other revenue
General and other expenses	(348)	—	(202)	(550)	General and other expenses
Borrowings and other finance costs	(22)	—	(227)	(249)	Borrowings and other finance costs
Operating profit/(loss) before share of profit from associates and joint ventures	**558**	**(78)**	**(332)**	**148**	**Profit/(loss) before share of profit from associates and joint ventures**
Share of profit/(loss) from associates and joint ventures	33	—	3	36	Share of profit/(loss) from associates and joint ventures
Operating profit/(loss) before tax	**591**	**(78)**	**(329)**	**184**	**Profit before tax**

6 SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Year ended 31 December 2023						
TWPI[2]	**1,708**	**2,390**	**1,579**	**739**	**—**	**6,416**
Insurance revenue	998	644	619	327	—	2,588
Insurance service expenses	(723)	(471)	(440)	(282)	—	(1,916)
Net income/(expenses) from reinsurance contracts	(12)	(5)	(69)	(2)	—	(88)
Insurance service result	**263**	**168**	**110**	**43**	**—**	**584**
Investment return	938	440	175	153	18	1,724
Net finance income/(expenses) from insurance and reinsurance contract and movement of investment contract benefits	(912)	(351)	(37)	(116)	—	(1,416)
Net insurance and investment result	**289**	**257**	**248**	**80**	**18**	**892**
Other revenue	8	1	3	21	(2)	31
General and other expenses	(39)	(64)	(45)	(69)	(172)	(389)
Borrowings and other finance costs	(17)	—	(3)	(7)	—	(27)
Operating profit/(loss) before share of profit from associates and joint ventures	**241**	**194**	**203**	**25**	**(156)**	**507**
Share of profit/(loss) from associates and joint ventures	1	—	—	9	(5)	5
Operating profit/(loss) before tax[1]	**242**	**194**	**203**	**34**	**(161)**	**512**
Tax on operating profit/(loss) before tax	(32)	(43)	(39)	(17)	(9)	(140)
Operating profit/(loss) after tax[1]	**210**	**151**	**164**	**17**	**(170)**	**372**
Key operating ratio						
Expense ratio[2]	13.7 %	9.2 %	10.9 %	31.2 %	—	16.0 %
Operating profit/(loss) before tax includes:						
Operating expenses	(234)	(220)	(172)	(242)	(171)	(1,039)

Notes:
1 Excludes results of the Non-core business, comprising of US$17m operating loss before tax.
2 Represents the amount attributable to the Equity Holders of the Company.

6 SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

Segment information below represents the financial position of the Group:

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
31 December 2023						
Total assets	20,599	18,150	8,690	4,481	754	52,674
Total liabilities	(17,439)	(15,060)	(7,370)	(2,603)	(2,570)	(45,042)
Total equity	3,160	3,090	1,320	1,878	(1,816)	7,632
Shareholders' allocated equity	3,323	3,767	850	1,830	(3,161)	6,609
Net capital in/(out) flows	(204)	(71)	(73)	228	120	—
Total assets include:						
Investment in associates and a joint venture	6	—	—	378	(1)	383

Segment information is reconciled to the consolidated income statement, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Total	
Year ended 31 December 2023					
Insurance service result	584	—	95	679	Insurance service result
Investment return	1,724	(1,364)	(1)	359	Investment return
Net finance income/(expenses) from insurance and reinsurance contract and movement of investment contract benefits	(1,416)	426	(1)	(991)	Net finance income/(expenses) from insurance and reinsurance contract and movement of investment contract benefits
Net insurance and investment result	**892**	**(938)**	**93**	**47**	**Net insurance and investment result**
Other revenue	31	—	33	64	Other revenue
General and other expenses	(389)	—	(342)	(731)	General and other expenses
Borrowings and other finance costs	(27)	—	(147)	(174)	Borrowings and other finance costs
Operating profit before share of profit from associates and joint ventures	**507**	**(938)**	**(363)**	**(794)**	**Loss before share of profit from associates and joint ventures**
Share of profit from associates and joint ventures	5	—	(25)	(20)	Share of loss from associates and joint ventures
Operating profit before tax	**512**	**(938)**	**(388)**	**(814)**	**Loss before tax**

6 SEGMENT INFORMATION (continued)

6.2 Operating profit

The long-term nature of the Group's operations means that, for management's decision-making and internal performance management purposes, the Group evaluates its results and its operating segments using a financial performance measure referred to as “operating profit”. Operating profit is provided to assist in the comparison of business trends in different reporting years on a consistent basis and to enhance overall understanding of financial performance.

Operating profit includes among others the expected long-term investment returns for investments in equities, interests in investment funds and investment property based on the assumptions applied by the Group in the calculations of Embedded Value. The Group defines operating profit as net profit/(loss) of the Group adjusted to exclude the following items:

Market related

- Short-term fluctuations in investment return related to equities, interests in investment funds and investment property;
- Loss component on onerous contracts measured under VFA, relating to market movements; and
- Any other items which, in the Directors’ view, should be disclosed separately to enable a full understanding of the Group’s financial performance.

Non-market related

- Finance costs related to borrowings and long-term payables;
- M&A, business set up and restructuring related costs;
- IPO related costs including incentive costs;
- Implementation costs for IFRS 9 and 17 and Group-wide Supervision;
- Any other items which, in the Directors’ view, should be disclosed separately to enable a full understanding of the Group’s financial performance.

The Group considers that the presentation of operating profit enhances the understanding and comparability of its performance and that of its operating segments on an ongoing basis. The Group considers that trends can be more clearly identified without the significant impact of the one-off costs of integration activities and the costs of servicing debt used to finance acquisition activities and the fluctuating effects of other non-operating items which are largely dependent on market factors.

6 SEGMENT INFORMATION (continued)

6.2 Operating profit (continued)

Net profit/(loss) is reconciled to the operating profit/(loss) after tax as follows:

		Year ended 31 December	
US$m	Notes	2024	2023
Net profit/(loss)		10	(717)
Tax on operating profit before tax		139	140
Tax impact from non-operating items		35	(237)
Profit/(loss) before tax		**184**	**(814)**
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Market related:			
Short-term fluctuations in investment return related to equities, interests in investment funds and investment property		38	198
Loss component on onerous contracts		(89)	39
Other non-operating investment return		40	740
		(11)	**977**
Non-market related:			
Finance costs related to borrowings and long-term payables		227	147
M&A, business set up and restructuring related costs		71	71
IPO related costs including incentive costs		11	63
Implementation costs for IFRS 9 and 17 and Group-wide supervision		36	65
Other non-operating items		73	3
		418	**349**
Operating profit before tax		**591**	**512**
Tax on operating profit before tax		(139)	(140)
Operating profit after tax	6.1	**452**	**372**
Operating profit after tax attributable to:			
Equity Holders of the Company[1]		463	378
Non-controlling interests		(11)	(6)

Note:
[1] Equity Holders of the Company represented i) shareholders of the Company, holders of perpetual securities and non-controlling interests holders of FL and FGL before the Exchange of Share Capital of FL and FGL, ii) shareholders of the Company and holders of perpetual securities of the Company after the Exchange of Share Capital of FL and FGL and Novation of Perpetual Securities. For details, please refer to Note 1.2, Note 25.3 and Note 25.5.

6 SEGMENT INFORMATION (continued)

6.3 Comprehensive tangible equity

Comprehensive tangible equity is defined as total equity of the Group attributable to shareholders of the Company plus contractual service margin (net of tax), minus intangible assets.

	As at 31 December	
US$m	2024	2023
Total equity of the Group attributable to shareholders of the Company	6,012	6,234
Contractual service margin (net of tax)[1]	4,235	4,092
Comprehensive equity	**10,247**	**10,326**
Intangible assets[2]	(3,085)	(3,154)
Comprehensive tangible equity	**7,162**	**7,172**

Notes:
[1] After allowing for reinsurance and taxes and net of non-controlling interests.
[2] Net of non-controlling interests

6.4 Adjusted attribution of net profit/(loss)

The Exchange of Share Capital of FL and FGL and Novation of Perpetual Securities resulted in a change in the attribution of net profit/(loss) and total equity between the Equity Holders of the Company and non-controlling interests. To provide financial information on a comparable basis between the reporting years for management's decision-making and internal performance management purposes, net profit/(loss) attributable to Equity Holders of the Company are adjusted on the basis that the Exchange of Share Capital of FL and FGL and Novation of Perpetual Securities had occurred for all of the reporting years presented. For details, please refer to Note 1.2, Note 25.3 and Note 25.5.

Net profit/(loss)

	Year ended 31 December	
US$m	2024	2023
Net profit/(loss) attributable to:		
Shareholders of the Company and perpetual securities holders	**24**	**(716)**
Shareholders of the Company	(78)	(826)
Perpetual securities	102	110
Non-controlling interests	(14)	(1)
Net profit/(loss)	**10**	**(717)**
Add: Net profit/(loss) attributable to Equity Holders of the Company	—	(17)
Less: Non-controlling interests	—	17
Adjusted attribution of net profit/(loss)		
Equity Holders of the Company	**24**	**(733)**
Adjusted non-controlling interests	(14)	16
Net profit/(loss)	**10**	**(717)**

6 SEGMENT INFORMATION (continued)

6.5 Total Weighted Premium Income

For management decision-making and internal performance management purposes, the Group measures business volumes during the period using a performance measure referred to as TWPI. TWPI is presented based on the Group's effective ownership interest in the Insurance Business.

TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with the Group's accounting policies. TWPI represents the amount attributable to the Equity Holders of the Company.

Management considers that TWPI provides an indicative volume measure of transactions undertaken in the reporting year that have the potential to generate profits for shareholders. The amounts shown are not intended to be indicative of premiums and fee income recorded in the consolidated income statement.

	Year ended 31 December	
US$m	2024	2023
TWPI by geography		
Hong Kong	2,106	1,708
Thailand	2,468	2,390
Japan	1,249	1,579
Emerging Markets	809	739
Total	**6,632**	**6,416**
First year premiums by geography		
Hong Kong	623	388
Thailand	553	569
Japan	111	124
Emerging Markets	254	245
Total	**1,541**	**1,326**
Single premiums by geography		
Hong Kong	1,843	1,214
Thailand	153	215
Japan	—	—
Emerging Markets	653	377
Total	**2,649**	**1,806**
Renewal premiums by geography		
Hong Kong	1,299	1,199
Thailand	1,900	1,799
Japan	1,138	1,455
Emerging Markets	489	456
Total	**4,826**	**4,909**

7 INSURANCE REVENUE AND OTHER REVENUE

	Year ended 31 December	
US$m	2024	2023
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage:		
CSM recognised for services provided	608	784
Change in risk adjustment for non-financial risk for risk expired	71	64
Expected incurred claims and other insurance service expenses	1,023	1,013
Recovery of insurance acquisition cash flows	774	722
	2,476	2,583
Contracts measured under the PAA	248	173
Total insurance revenue	**2,724**	**2,756**
Represented by:		
Contracts measured under the modified retrospective approach	90	266
Contracts measured under the fair value approach	909	1,077
Other contracts	1,725	1,413
	2,724	**2,756**

Other revenue

Other revenue largely consists of asset management fee and administrative fee income.

8 NET INVESTMENT RESULT

Analysis of investment result in profit or loss and other comprehensive income:

US$m	Notes	Year ended 31 December 2024	2023
Investment return:			
Interest revenue	B	1,185	1,159
Other investment gains/(losses)	C	93	(791)
Net impairment loss on financial assets		(16)	(9)
Amounts recognised in OCI		456	1,382
Total investment return		**1,718**	**1,741**
Net finance income/(expenses) from insurance contracts:			
Changes in fair value of underlying items of direct participating contracts		(508)	(1,224)
Interest accreted		(392)	(353)
Effect of changes in interest rates and other financial assumptions		(122)	(719)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		(41)	—
Net foreign exchange gain/(loss)		(35)	7
Total net finance income/(expenses) from insurance contracts	A	**(1,098)**	**(2,289)**
Net finance income/(expenses) from reinsurance contracts held:			
Interest accreted		(35)	(9)
Effect of changes in interest rates and other financial assumptions		(213)	13
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		(12)	18
Others		(2)	(3)
Total net finance income/(expenses) from reinsurance contracts held	A	**(262)**	**19**
Movement in investment contract liabilities		(1)	4
Net investment result		**357**	**(525)**
Represented by:			
Amounts recognised in profit or loss		241	(632)
Amounts recognised in OCI		116	107
		357	**(525)**

8 NET INVESTMENT RESULT (continued)

A. Insurance finance income and expenses

US$m	Year ended 31 December 2024	2023
Net finance income/(expenses) from insurance contracts		
Recognised in profit or loss	(1,051)	(996)
Recognised in OCI	(47)	(1,293)
	(1,098)	**(2,289)**
Net finance income/(expenses) from reinsurance contracts		
Recognised in profit or loss	31	1
Recognised in OCI	(293)	18
	(262)	**19**

B. Interest revenue

US$m	Year ended 31 December 2024	2023
Interest revenue calculated using the effective interest method		
Debt securities measured at FVOCI	986	958
Financial investments measured at amortised cost	102	90
	1,088	1,048
Other interest revenue		
Financial investments measured at FVTPL	97	111
	1,185	**1,159**

C. Other investment gains/(losses)

US$m	Year ended 31 December 2024	2023
Financial investments mandatorily measured at FVTPL:		
Net fair value gains/(losses) on		
Debt securities	35	6
Derivatives	(372)	(493)
Equity securities	25	(89)
Interests in investment funds	400	43
Dividend income	249	234
Net foreign exchange gain	124	83
	461	(216)
Net losses on derecognition of debt investments measured at FVOCI	(437)	(882)
Net foreign exchange gain on instruments not measured at FVTPL	44	280
Lease income from investment property	23	25
Net fair value movement of investment property	(5)	(2)
Other investment income	7	4
Total	**93**	**(791)**

8 NET INVESTMENT RESULT (continued)

D. Investment return in OCI related to insurance and reinsurance contracts measured under the modified retrospective or fair value transition approach

On transition to IFRS 17, for certain groups of insurance and reinsurance contracts, the Group determined the cumulative insurance finance income and expenses recognised in OCI at 1 January 2022 using the modified retrospective approach or the fair value approach. The movement in the fair value reserve for the debt investments measured at FVOCI related to those groups of contracts was as follows.

		Year ended 31 December	
US$m	Notes	2024	2023
Fair value reserve			
Balance at beginning of the year		(2,861)	(2,447)
Change in fair value, net of fair value change transferred to income on disposal and impairment		268	471
Related income tax		(32)	(78)
Sharing to non-controlling interests		—	7
Exchange of Share Capital of FL and FGL	1.2	—	(814)
Balance at ending of the year		**(2,625)**	**(2,861)**

9 EXPENSES

	Year ended 31 December	
US$m	2024	2023
Claims and benefits	895	867
Loss on onerous insurance contracts	32	93
Commission and other acquisition expenses	1,697	1,498
Employee benefits expenses	605	630
Depreciation	59	61
Amortisation	46	44
Marketing and advertising	52	69
Professional service fees	154	193
Information technology expenses	152	173
Investment management expenses	60	59
Others[1]	195	222
	3,947	3,909
Amounts attributed to insurance acquisition cash flows	(2,192)	(1,937)
Amortisation of insurance acquisition cash flows	807	748
Total	**2,562**	**2,720**
Represented by:		
Insurance service expenses	2,012	1,989
General and other expenses - operating	348	389
General and other expenses - non-operating	202	342
	2,562	**2,720**

Note:
[1] Includes travel and entertainment, bank charges, office related expenses, other general operating expenses and impairment of intangible assets.

9 EXPENSES (continued)

General and other expenses includes auditor's remunerations of:

US$m	Year ended 31 December 2024	2023
Audit services	9	12
Non-audit services	1	1
Total	**10**	**13**

Depreciation consists of:

US$m	Year ended 31 December 2024	2023
Leasehold improvements, furniture and fixtures, computer equipment and others	15	15
Right-of-use assets:		
Premises and car park	41	42
Equipment and Others	3	4
Total	**59**	**61**

Employee benefits expenses consist of:

US$m	Year ended 31 December 2024	2023
Wages and salaries	512	519
Share-based compensation	19	23
Pension costs	31	27
Other employee benefits expenses	43	61
Total	**605**	**630**

10 BORROWINGS AND OTHER FINANCE COSTS

Borrowings and other finance costs may be analysed as follows:

US$m	Year ended 31 December 2024	2023
Borrowings	225	145
Lease liabilities	5	5
Others	19	24
Total	**249**	**174**

11 INCOME TAX

(1) Tax benefit/(expense)

Taxes on assessable profits have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates. The total tax benefit/(expense) comprises:

	Year ended 31 December	
US$m	2024	2023
Current income tax	(226)	(144)
Deferred income tax	52	241
Total	**(174)**	**97**

The table below reflects the principal rates of corporate income tax as at the end of each year. The rates reflect enacted or substantively enacted corporate tax rates throughout the year in each jurisdiction.

	Year ended 31 December	
	2024	2023
Hong Kong	16.5 %	16.5 %
Thailand	20 %	20 %
Japan	28 %	28 %
Others	12%-25%	12%-25%

In 2023, Bermuda has introduced and enacted a corporate income tax rate of 15 per cent that will become effective from 1 January 2025.

The Organisation for Economic Co-operation and Development ("OECD") is currently working on a project to address the tax challenges arising from the digitalisation of the economy. The project's second pillar involves the implementation of a global corporate minimum tax rate of 15% applicable to large multinational enterprises. The OECD has released model rules and other documents for this second pillar (the "Pillar Two model rules"). The Group operates in certain jurisdictions which have enacted or substantively enacted their versions of Pillar Two model rules, including Indonesia, Japan, Malaysia, Singapore, Thailand and Vietnam. Hong Kong is in the process of legislating the Pillar Two model rules. These rules have been or are expected to be effective and apply to the Group from 1 January 2025, except for Vietnam, where they became effective and applied to the Group from 1 January 2024. The Group has no current tax exposure related to Pillar Two model rules in Vietnam for the year ended 31 December 2024.

The implementation of the Pillar Two model rules may have an adverse impact on tax expenses of the Group starting from 1 January 2025. The Group will continue to monitor the Pillar Two model rules requirements and assess the accounting implications accordingly.

The reconciliation of the relationship between income tax benefit/(expense) and profit/(loss) before tax was as follows:

	Year ended 31 December	
US$m	2024	2023
Income tax reconciliation		
Profit/(loss) before tax	184	(814)
Tax benefit/(expense) calculated at domestic tax rates applicable to profits in the respective jurisdictions	(48)	209
Income not taxable or taxable at concessionary rates	50	55
Expense not deductible for tax purposes	(62)	(57)
Adjustment on deferred tax assets on tax losses and temporary differences	(50)	(35)
Adjustments to tax expenses related to prior years	(5)	3
Others	(59)	(78)
Total income tax benefit/(expense)	**(174)**	**97**

11 INCOME TAX (continued)

(2) Deferred tax

The movement in net deferred tax assets/(liabilities) in the year may be analysed as set out below:

US$m	Net deferred tax asset/ (liability) at 1 January	Acquisition of subsidiaries	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Foreign exchange movements	Net deferred tax asset/ (liability) at 31 December
31 December 2024						
Financial instruments	424	—	(38)	(304)	(10)	72
Insurance, reinsurance and investment contracts	(263)	—	108	61	22	(72)
Unused tax losses	19	—	1	—	—	20
Others	5	—	(19)	—	(2)	(16)
Total	**185**	**—**	**52**	**(243)**	**10**	**4**

US$m	Net deferred tax asset/ (liability) at 1 January	Acquisition of subsidiaries	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Foreign exchange movements	Net deferred tax asset/ (liability) at 31 December
31 December 2023						
Financial instruments	626	(1)	54	(244)	(11)	424
Insurance, reinsurance and investment contracts	(659)	(5)	167	206	28	(263)
Unused tax losses	9	—	10	—	—	19
Others	(7)	—	10	—	2	5
Total	**(31)**	**(6)**	**241**	**(38)**	**19**	**185**

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised deferred tax assets on unused tax losses of US$968m as at 31 December 2024 (2023: US$851m), as it is not considered probable that sufficient taxable profits will be available against which these tax losses can be further utilised in the foreseeable future. As at 31 December 2024, US$540m (2023: US$438m) of these unused tax losses will expire within the next ten years, and the remainder of US$428m (2023: US$413m) has no expiry date.

In some jurisdictions where the Group operates, earnings remitted by the subsidiaries, associates and joint ventures to the Group are subject to withholding tax. The Group has not provided deferred tax liabilities on certain unremitted earnings of US$130m (2023: US$122m) for the year ended 31 December 2024 of these jurisdictions as the Group does not consider it is probable that this portion of unremitted earnings will be remitted in the foreseeable future.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules income taxes.

12 INTANGIBLE ASSETS

US$m	Goodwill	Distribution rights	Computer software and others	Total
Cost				
At 1 January 2023	**1,563**	**1,652**	**273**	**3,488**
Acquisition of subsidiaries	—	—	2	2
Additions	—	63	57	120
Disposals	—	(2)	—	(2)
Foreign exchange movements	6	(1)	(8)	(3)
At 31 December 2023	**1,569**	**1,712**	**324**	**3,605**
Additions	—	25	62	87
Disposals	—	—	(8)	(8)
Foreign exchange movements	(7)	(28)	(11)	(46)
At 31 December 2024	**1,562**	**1,709**	**367**	**3,638**
Accumulated amortisation and impairment				
At 1 January 2023	**(34)**	**(109)**	**(138)**	**(281)**
Amortisation charge for the year	—	(42)	(44)	(86)
Disposals	—	1	—	1
Impairment	—	(86)	—	(86)
Foreign exchange movements	—	(3)	4	1
At 31 December 2023	**(34)**	**(239)**	**(178)**	**(451)**
Amortisation charge for the year	—	(37)	(46)	(83)
Disposals	—	—	6	6
Impairment	(21)	—	(17)	(38)
Foreign exchange movements	—	6	7	13
At 31 December 2024	**(55)**	**(270)**	**(228)**	**(553)**
Net book value				
At 31 December 2023	**1,535**	**1,473**	**146**	**3,154**
At 31 December 2024	**1,507**	**1,439**	**139**	**3,085**

Goodwill

Goodwill arises in respect of the Group's insurance business and is allocated to each segment as follows:

	As at 31 December	
US$m	2024	2023
Hong Kong	915	915
Thailand	469	470
Japan	3	3
Emerging markets[1]	120	147
	1,507	**1,535**

Note:
[1] Includes goodwill of US$110m (2023: US$137m) and US$10m (2023: US$10m) from the operations in Indonesia and Vietnam, respectively, as at 31 December 2024.

12 INTANGIBLE ASSETS (continued)

Goodwill (continued)

Impairment tests for goodwill

Goodwill is tested for impairment by comparing the carrying amount of the cash generating unit ("CGU"), including goodwill, to the recoverable amount of that CGU. If the recoverable amount of the CGU exceeds the carrying amount of the CGU, the goodwill allocated to that CGU shall be regarded as not impaired. The recoverable amount is the value in use of the CGU unless otherwise stated.

The value in use is calculated as an actuarially determined appraisal value, based on (i) the Embedded Value ("EV") with respect to the in-force business together with (ii) the value of future new business.

EV captures the market value of the assets in excess of those backing the policy reserves and other liabilities as well as the value of all in-force policies as at the reporting date attributable to the shareholders of the Company.

The value of future new business is the aggregation of the present value of future expected profits on policies expected to be sold in the future (i.e. value of new business ("VNB")). This is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projects.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The Group projected new sales over the next 15 years to estimate the VNB, using growth rates in the current five-year financial budgets which reflect management's best estimate of future profit based on historical experience and operating assumptions such as premium and expenses, and 2% to 5% thereafter. The Group may apply alternative method to estimate the value of future new business if the described method is not appropriate under the circumstances.

During the year ended 31 December 2024, impairment loss of US$21m was recognised in "General and other expenses" for the goodwill of Emerging Market - PT FWD Life Indonesia.

The risk discount rates that are used in calculating the value in use of in force business and present value of expected future new business are as follows:

	As at 31 December	
	2024	2023
Hong Kong	8.20 %	7.80 %
Thailand	8.25 %	8.75 %
Japan	6.75 %	6.25 %
Indonesia	13.00 %	13.75 %
Vietnam	10.65 %	10.75 %

With regard to the assessment of value in use, management does not believe a reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

12 INTANGIBLE ASSETS (continued)

Distribution rights

Distribution rights represent exclusive bancassurance and distribution agreements in Thailand, Indonesia, Vietnam and the Philippines.

On 28 April 2023, the Group entered into an amendment to the existing distribution agreement with Siam Commercial Bank Public Company Limited ("SCB"), pursuant to which the existing exclusive distribution right in Thailand will be further extended for two years and the Group agreed to pay SCB a fee of US$58m.

During the year ended 31 December 2023, Commonwealth Bank of Australia has announced a potential transaction for the sale of its subsidiary, PT Bank Commonwealth ("PTBC"), an existing long-term life insurance distribution partner of the Group, with the expected completion in 2024. The Group expected its existing exclusive distribution rights with PTBC would be discontinued upon completion of the transaction. Accordingly, the Group recognised an impairment in "General and other expenses" of the consolidated income statement and reported under "Emerging Markets".

In May 2024, Commonwealth Bank of Australia completed the sale of PTBC to PT Bank OCBC NISP Tbk. Accordingly, the Group's existing exclusive distribution rights with PTBC were converted into non-exclusive rights in accordance with the terms of the contractual arrangements agreed with PT Bank OCBC NISP Tbk and PTBC.

On 11 December 2024, the Group entered into an amendment to the existing distribution agreement with Security Bank Corporation, pursuant to which the existing exclusive distribution right in the Philippines will be extended to no later than 31 December 2043 and the Group will pay Security Bank Corporation a fee of US$43m in 2025, subject to regulatory approvals.

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December	
US$m	2024	2023
Investments in associates	438	377
Investments in joint ventures	—	6
Total	**438**	**383**

The Group's interests in its key associates are as follows:

					Group's interest %	
Entity	Place of incorporation	Principal activity	Type of investments	Type of shares held	As at 31 December 2024	As at 31 December 2023
PT Asuransi BRI Life ("BRI Life")	Indonesia	Life insurance	Associate	Ordinary	43.96 %	39.82 %

All associates and joint ventures are unlisted.

On 2 March 2023, the Group acquired an additional interest of 4.68% in BRI Life at a consideration of US$51m, and resulted in a total of 39.82% effective ownership interest in BRI Life. On 1 March 2024, the Group acquired an additional interest of 4.14% in BRI Life at a consideration of US$49m, which resulted in the Group holding a total of 43.96% effective ownership in BRI Life.

Dividends received from BRI Life during the year ended 31 December 2024 was US$2m (2023: US$nil).

On 12 October 2023, upon completion of the business combination with a listed special purpose acquisition company ("de-SPAC"), CompareAsia became a wholly owned subsidiary of MoneyHero Limited ("MoneyHero"), the public company after de-SPAC. Immediately after de-SPAC, the Group has no significant influence over CompareAsia but retained interests in MoneyHero, and accordingly, the Group's investment ceased to be an associate and the interests in MoneyHero are accounted for as financial investments at FVTPL. A disposal gain of US$4m was recognised in the consolidated income statement, being the difference between the fair value of financial investment in MoneyHero and the carrying amount of investment in CompareAsia on the disposal date.

Dividends received from One George Street LLP ("OGS"), a joint venture of the Group, during the year ended 31 December 2024 was US$2m (2023: US$nil). In addition, the Group received capital distribution of US$3m (2023: US$2m) from OGS during the year ended 31 December 2024.

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of associates that is material to the Group

(a) Financial information of BRI Life

Summarised statement of financial position of BRI Life:

US$m	As at 31 December 2024	As at 31 December 2023
Assets	1,701	1,557
Liabilities	(989)	(932)
Net assets	**712**	**625**
The Group's share in net assets (31 December 2024: 43.96% ; 31 December 2023: 39.82%)	313	249
Goodwill	109	112
Group's carrying amount of investment in BRI Life	**422**	**361**

Summarised income statement and other comprehensive income of BRI Life:

US$m	Year ended 31 December 2024	Year ended 31 December 2023
Revenue	113	22
Expenses	(31)	(15)
Profit for the year	82	7
Other comprehensive income/(loss) for the year	(38)	(53)
Total comprehensive income/(loss) of BRI Life for the year	44	(46)
Group's share of total comprehensive income/(loss) of BRI Life for the year	19	(18)
Group's share of other comprehensive income/(loss) related to foreign currency translation of goodwill	(6)	(11)
	13	**(29)**

Reconciliation of the summarised financial information of BRI Life:

US$m	As at 31 December 2024	As at 31 December 2023
Net assets		
At beginning of the year	625	620
Total comprehensive income/(loss) for the year	44	(46)
Capital injection	49	51
Dividends	(6)	—
At ending of the year	**712**	**625**

(b) Aggregated financial information of the associates and joint ventures that are not individually material

The following table analyses, in aggregate, the share of profit/(loss) and other comprehensive income/(loss) of the associates and joint ventures that are not individually material.

US$m	Year ended 31 December 2024	Year ended 31 December 2023
Net profit/(loss)	—	(23)
Other comprehensive income/(loss)	—	(1)
Total comprehensive income/(loss)	**—**	**(24)**

14 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment				Right-of-use assets		
US$m	Leasehold improvements	Furniture and fixtures and others	Computer equipment	Property held for own use	Premises and car parks	Equipment and others	Total
Cost							
At 1 January 2023	**59**	**12**	**80**	**1**	**193**	**21**	**366**
Acquisition of subsidiaries	—	—	—	—	4	—	4
Additions	6	1	6	—	57	7	77
Disposals	(5)	(1)	(4)	—	(43)	(8)	(61)
Foreign exchange movements	(1)	—	(1)	—	(4)	—	(6)
At 31 December 2023	**59**	**12**	**81**	**1**	**207**	**20**	**380**
Additions	18	3	5	—	38	—	64
Disposals	(9)	(2)	(6)	—	(20)	—	(37)
Foreign exchange movements	1	—	(3)	(1)	(3)	(2)	(8)
At 31 December 2024	**69**	**13**	**77**	**—**	**222**	**18**	**399**
Accumulated depreciation							
At 1 January 2023	**(48)**	**(9)**	**(66)**	**—**	**(93)**	**(11)**	**(227)**
Disposals	4	1	4	—	34	8	51
Depreciation charge for the year	(5)	(2)	(8)	—	(42)	(4)	(61)
Foreign exchange movements	—	—	2	—	1	—	3
At 31 December 2023	**(49)**	**(10)**	**(68)**	**—**	**(100)**	**(7)**	**(234)**
Disposals	9	2	6	—	12	—	29
Depreciation charge for the year	(8)	(1)	(6)	—	(41)	(3)	(59)
Foreign exchange movements	—	—	1	—	3	—	4
At 31 December 2024	**(48)**	**(9)**	**(67)**	**—**	**(126)**	**(10)**	**(260)**
Net book value							
At 31 December 2023	**10**	**2**	**13**	**1**	**107**	**13**	**146**
At 31 December 2024	**21**	**4**	**10**	**—**	**96**	**8**	**139**

The Group obtains right to use various office premises, residential units, car parks, office equipment, IT-related and other assets for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 13 years. Right-of-use assets are carried at cost less accumulated depreciation.

15 INVESTMENT PROPERTY

US$m	
Fair value	
At 1 January 2023	**641**
Acquisition of subsidiaries	1
Fair value gains/(losses)	(2)
Foreign exchange movements	(41)
At 31 December 2023	**599**
Disposals	(76)
Fair value gains/(losses)	(5)
Foreign exchange movements	(52)
At 31 December 2024	**466**

The Group acquired commercial investment properties, residential property, hotel building and parcels of land in Japan and a commercial investment property and parcel of land in Malaysia.

Investment properties are carried at fair value at the reporting date as determined by independent professional valuers. Details of valuation techniques and process are disclosed in Note 19.

The Group leases out its investment properties under operating lease contracts with terms varying from 1 to 30 years. Rental income generated from investment properties amounted to US$23m for the year ended 31 December 2024 (2023: US$25m). Direct operating expenses, including repair and maintenance, amounted to US$5m for the year ended 31 December 2024 (2023: US$6m).

The future minimum operating lease rental income under non-cancellable operating leases that the Group expects to receive in future periods are disclosed in Note 32.

16 INSURANCE AND REINSURANCE CONTRACT BALANCES

Insurance contracts

	As at 31 December	
US$m	2024	2023
Insurance contract assets	683	798
Insurance contract liabilities	(41,646)	(40,073)
Total	(40,963)	(39,275)

Reinsurance contracts held

	As at 31 December	
US$m	2024	2023
Reinsurance contract assets	2,696	2,876
Reinsurance contract liabilities	(366)	(304)
Total	2,330	2,572

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be recovered/(settled) more than 12 months after the reporting date.

	As at 31 December	
US$m	2024	2023
Insurance contract assets	1,400	2,895
Insurance contract liabilities	(32,580)	(32,334)
Reinsurance contract assets	4,227	2,274
Reinsurance contract liabilities	(2,394)	(278)

At 31 December 2024, the maximum exposure to credit risk from reinsurance contracts is US$2,696m (2023: US$2,876m). The credit risk arising from insurance contracts is not considered to be significant.

Insurance and reinsurance contracts

(a) Movement in insurance and reinsurance contract balances

The Group presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and OCI.

A second reconciliation is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)
(i) (a) Insurance contracts not measured under the premium allocation approach
Analysis by remaining coverage and incurred claims

US$m	Note	Year ended 31 December 2024 – Liabilities for remaining coverage – Excluding loss component	Liabilities for remaining coverage – Loss component	Liabilities for incurred claims	Total
Opening assets		838	(25)	(26)	787
Opening liabilities		(38,909)	(224)	(831)	(39,964)
Net opening balance		**(38,071)**	**(249)**	**(857)**	**(39,177)**
Changes in the statement of profit or loss and OCI					
Insurance revenue	7				
Contracts under the modified retrospective approach		90	—	—	90
Contracts under the fair value approach		909	—	—	909
Other contracts		1,477	—	—	1,477
		2,476	—	—	2,476
Insurance service expenses					
Incurred claims and other insurance service expenses		—	68	(1,055)	(987)
Amortisation of insurance acquisition cash flows		(774)	—	—	(774)
Losses and reversals of losses on onerous contracts		—	(31)	—	(31)
Adjustments to liabilities for incurred claims		—	—	11	11
		(774)	37	(1,044)	(1,781)
Investment components		4,333	—	(4,333)	—
Insurance service result		**6,035**	**37**	**(5,377)**	**695**
Net finance expenses from insurance contracts	8	(1,095)	(3)	—	(1,098)
Foreign exchange movement		629	2	(13)	618
Total changes in the statement of profit or loss and OCI		**5,569**	**36**	**(5,390)**	**215**
Cash flows					
Premium received		(9,017)	—	—	(9,017)
Claims and other insurance service expenses paid; including investment components		—	—	4,991	4,991
Insurance acquisition cash flows		2,095	—	—	2,095
Total cash flows		**(6,922)**	**—**	**4,991**	**(1,931)**
Net closing balance		**(39,424)**	**(213)**	**(1,256)**	**(40,893)**
Closing assets		762	(24)	(69)	669
Closing liabilities		(40,186)	(189)	(1,187)	(41,562)
Net closing balance		**(39,424)**	**(213)**	**(1,256)**	**(40,893)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)
(i) (a) Insurance contracts not measured under the premium allocation approach (continued)
Analysis by remaining coverage and incurred claims (continued)

		Year ended 31 December 2023			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total
US$m	Note	Excluding loss component	Loss component		
Opening assets		785	(5)	(58)	722
Opening liabilities		(36,186)	(185)	(601)	(36,972)
Net opening balance		**(35,401)**	**(190)**	**(659)**	**(36,250)**
Changes in the statement of profit or loss and OCI					
Insurance revenue	7				
Contracts under the modified retrospective approach		266	—	—	266
Contracts under the fair value approach		1,077	—	—	1,077
Other contracts		1,240	—	—	1,240
		2,583	—	—	2,583
Insurance service expenses					
Incurred claims and other insurance service expenses		—	49	(982)	(933)
Amortisation of insurance acquisition cash flows		(722)	—	—	(722)
Losses and reversals of losses on onerous contracts		—	(93)	—	(93)
Adjustments to liabilities for incurred claims		—	—	(52)	(52)
		(722)	(44)	(1,034)	(1,800)
Investment components		4,228	—	(4,228)	—
Insurance service result		**6,089**	**(44)**	**(5,262)**	**783**
Net finance expenses from insurance contracts	8	(2,232)	(15)	(42)	(2,289)
Foreign exchange movement		292	—	29	321
Total changes in the statement of profit or loss and OCI		**4,149**	**(59)**	**(5,275)**	**(1,185)**
Cash flows					
Premium received		(8,691)	—	—	(8,691)
Claims and other insurance service expenses paid; including investment components		—	—	5,077	5,077
Insurance acquisition cash flows		1,872	—	—	1,872
Total cash flows		(6,819)	—	5,077	(1,742)
Net closing balance		**(38,071)**	**(249)**	**(857)**	**(39,177)**
Closing assets		838	(25)	(26)	787
Closing liabilities		(38,909)	(224)	(831)	(39,964)
Net closing balance		**(38,071)**	**(249)**	**(857)**	**(39,177)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)
(i) (a) Insurance contracts not measured under the premium allocation approach (continued)
Analysis by measurement component

		Year ended 31 December 2024						
				CSM				
US$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		1,888	(109)	—	(162)	(830)	(992)	787
Opening liabilities		(35,128)	(578)	(199)	(1,898)	(2,161)	(4,258)	(39,964)
Net opening balance		**(33,240)**	**(687)**	**(199)**	**(2,060)**	**(2,991)**	**(5,250)**	**(39,177)**
Changes in the statement of profit or loss and OCI								
Changes that relate to current services								
CSM recognised for services received	7	—	—	22	180	406	608	608
Change in risk adjustment for non-financial risk for risk expired		—	71	—	—	—	—	71
Experience adjustments		36	—	—	—	—	—	36
Changes that relate to future services								
Contracts initially recognised in the year		1,424	(98)	—	—	(1,344)	(1,344)	(18)
Changes in estimates that adjust the CSM		(619)	29	22	269	299	590	—
Changes in estimates that result in losses and reversals of losses on onerous contracts		(15)	2	—	—	—	—	(13)
Changes that relate to past services								
Adjustments to liabilities for incurred claims		11	—	—	—	—	—	11
Insurance service result		**837**	**4**	**44**	**449**	**(639)**	**(146)**	**695**
Net finance income/ (expenses) from insurance contracts	8	(1,035)	(1)	(4)	(7)	(51)	(62)	(1,098)
Effect of movements in exchange rates		412	28	3	74	101	178	618
Total changes in the statement of profit or loss and OCI		**214**	**31**	**43**	**516**	**(589)**	**(30)**	**215**
Cash flows								
Premium received		(9,017)	—	—	—	—	—	(9,017)
Claims and other insurance service expenses paid; including investment components		4,991	—	—	—	—	—	4,991
Insurance acquisition cash flows		2,095	—	—	—	—	—	2,095
Total cash flows		**(1,931)**	**—**	**—**	**—**	**—**	**—**	**(1,931)**
Net closing balance		**(34,957)**	**(656)**	**(156)**	**(1,544)**	**(3,580)**	**(5,280)**	**(40,893)**
Closing assets		1,678	(96)	—	(147)	(766)	(913)	669
Closing liabilities		(36,635)	(560)	(156)	(1,397)	(2,814)	(4,367)	(41,562)
Net closing balance		**(34,957)**	**(656)**	**(156)**	**(1,544)**	**(3,580)**	**(5,280)**	**(40,893)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach (continued)

Analysis by measurement component (continued)

		Year ended 31 December 2023						
				CSM				
US$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		1,876	(87)	—	(243)	(824)	(1,067)	722
Opening liabilities		(31,133)	(562)	(254)	(3,042)	(1,981)	(5,277)	(36,972)
Net opening balance		**(29,257)**	**(649)**	**(254)**	**(3,285)**	**(2,805)**	**(6,344)**	**(36,250)**
Changes in the statement of profit or loss and OCI								
Changes that relate to current services								
CSM recognised for services received	7	—	—	152	267	365	784	784
Change in risk adjustment for non-financial risk for risk expired		—	64	—	—	—	—	64
Experience adjustments		80	—	—	—	—	—	80
Changes that relate to future services								
Contracts initially recognised in the year		1,688	(121)	—	—	(1,586)	(1,586)	(19)
Changes in estimates that adjust the CSM		(1,720)	(1)	(93)	816	998	1,721	—
Changes in estimates that result in losses and reversals of losses on onerous contracts		(75)	1	—	—	—	—	(74)
Changes that relate to past services								
Adjustments to liabilities for incurred claims		(52)	—	—	—	—	—	(52)
Insurance service result		**(79)**	**(57)**	**59**	**1,083**	**(223)**	**919**	**783**
Net finance income/ (expenses) from insurance contracts	8	(2,231)	—	(5)	(17)	(36)	(58)	(2,289)
Effect of movements in exchange rates		69	19	1	159	73	233	321
Total changes in the statement of profit or loss and OCI		**(2,241)**	**(38)**	**55**	**1,225**	**(186)**	**1,094**	**(1,185)**
Cash flows								
Premium received		(8,691)	—	—	—	—	—	(8,691)
Claims and other insurance service expenses paid; including investment components		5,077	—	—	—	—	—	5,077
Insurance acquisition cash flows		1,872	—	—	—	—	—	1,872
Total cash flows		**(1,742)**	**—**	**—**	**—**	**—**	**—**	**(1,742)**
Net closing balance		**(33,240)**	**(687)**	**(199)**	**(2,060)**	**(2,991)**	**(5,250)**	**(39,177)**
Closing assets		1,888	(109)	—	(162)	(830)	(992)	787
Closing liabilities		(35,128)	(578)	(199)	(1,898)	(2,161)	(4,258)	(39,964)
Net closing balance		**(33,240)**	**(687)**	**(199)**	**(2,060)**	**(2,991)**	**(5,250)**	**(39,177)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)
(i) (b) Insurance contracts measured under the premium allocation approach
Analysis by remaining coverage and incurred claims

		Year ended 31 December 2024				
		Liabilities for remaining coverage		Liabilities for incurred claims		
US$m	Note	Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	Total
Opening assets		—	—	11	—	11
Opening liabilities		(53)	(4)	(50)	(2)	(109)
Net opening balance		**(53)**	**(4)**	**(39)**	**(2)**	**(98)**
Changes in the statement of profit or loss and OCI						
Insurance revenue	7					
Other contracts		248	—	—	—	248
Insurance service expenses						
Incurred claims and other insurance service expenses		—	—	(199)	(1)	(200)
Amortisation of insurance acquisition cash flows		(33)	—	—	—	(33)
Losses and reversals of losses on onerous contracts		—	1	—	—	1
Adjustments to liabilities for incurred claims		—	—	—	1	1
Total insurance service expenses		(33)	1	(199)	—	(231)
Insurance service result		**215**	**1**	**(199)**	**—**	**17**
Foreign exchange movement		—	—	1	—	1
Total changes in the statement of profit or loss and OCI		**215**	**1**	**(198)**	**—**	**18**
Cash flows						
Premium received		(222)	—	—	—	(222)
Claims and other insurance service expenses paid; including investment components		—	—	197	—	197
Insurance acquisition cash flows		35	—	—	—	35
Total cash flows		**(187)**	**—**	**197**	**—**	**10**
Net closing balance		**(25)**	**(3)**	**(40)**	**(2)**	**(70)**
Closing assets		(1)	—	15	—	14
Closing liabilities		(24)	(3)	(55)	(2)	(84)
Net closing balance		**(25)**	**(3)**	**(40)**	**(2)**	**(70)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)
(i) (b) Insurance contracts measured under the premium allocation approach (continued)
Analysis by remaining coverage and incurred claims (continued)

		Year ended 31 December 2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		
US$m	Note	Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	Total
Opening assets		—	—	—	—	—
Opening liabilities		(4)	(4)	(38)	(1)	(47)
Net opening balance		**(4)**	**(4)**	**(38)**	**(1)**	**(47)**
Changes in the statement of profit or loss and OCI						
Insurance revenue	7					
Other contracts		173	—	—	—	173
Insurance service expenses						
Incurred claims and other insurance service expenses		—	—	(166)	—	(166)
Amortisation of insurance acquisition cash flows		(26)	—	—	—	(26)
Adjustments to liabilities for incurred claims		—	—	4	(1)	3
Total insurance service expenses		(26)	—	(162)	(1)	(189)
Insurance service result		**147**	**—**	**(162)**	**(1)**	**(16)**
Foreign exchange movement		2	—	—	—	2
Total changes in the statement of profit or loss and OCI		**149**	**—**	**(162)**	**(1)**	**(14)**
Cash flows						
Premium received		(224)	—	—	—	(224)
Claims and other insurance service expenses paid; including investment components		—	—	161	—	161
Insurance acquisition cash flows		26	—	—	—	26
Total cash flows		**(198)**	**—**	**161**	**—**	**(37)**
Net closing balance		**(53)**	**(4)**	**(39)**	**(2)**	**(98)**
Closing assets		—	—	11	—	11
Closing liabilities		(53)	(4)	(50)	(2)	(109)
Net closing balance		**(53)**	**(4)**	**(39)**	**(2)**	**(98)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)
(ii) (a) Reinsurance contracts held not measured under the premium allocation approach
Analysis by remaining coverage and incurred claims

	Year ended 31 December 2024			
	Assets for remaining coverage			
US$m	Excluding loss-recovery component	Loss- recovery component	Assets for incurred claims	Total
Opening assets	2,510	8	338	2,856
Opening liabilities	(326)	1	23	(302)
Net opening balance	**2,184**	**9**	**361**	**2,554**
Changes in the statement of profit or loss and OCI				
Allocation of reinsurance premium paid	(271)	—	—	(271)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	—	(7)	223	216
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	27	—	27
Adjustments to assets for incurred claims	—	—	(5)	(5)
	—	20	218	238
Investment components and premium refunds	(377)	—	377	—
Net expenses from reinsurance contracts	**(648)**	**20**	**595**	**(33)**
Effect of changes in non-performance risk of reinsurers	3	—	—	3
Net finance income from reinsurance contracts	(267)	2	—	(265)
Foreign exchange movement	(217)	—	(10)	(227)
Total changes in the statement of profit or loss and OCI	**(1,129)**	**22**	**585**	**(522)**
Cash flows				
Premium paid	808	—	—	808
Amounts received	—	—	(523)	(523)
Total cash flows	**808**	**—**	**(523)**	**285**
Net closing balance	**1,863**	**31**	**423**	**2,317**
Closing assets	2,302	24	355	2,681
Closing liabilities	(439)	7	68	(364)
Net closing balance	**1,863**	**31**	**423**	**2,317**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)
(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)
Analysis by remaining coverage and incurred claims (continued)

	Year ended 31 December 2023			
	Assets for remaining coverage			
US$m	Excluding loss-recovery component	Loss- recovery component	Assets for incurred claims	Total
Opening assets	487	3	219	709
Opening liabilities	(536)	2	71	(463)
Net opening balance	**(49)**	**5**	**290**	**246**
Changes in the statement of profit or loss and OCI				
Allocation of reinsurance premium paid	(321)	—	—	(321)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	—	(3)	223	220
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	6	—	6
Adjustments to assets for incurred claims	—	—	9	9
	—	3	232	235
Investment components and premium refunds	(479)	—	479	—
Net expenses from reinsurance contracts	**(800)**	**3**	**711**	**(86)**
Net finance income from reinsurance contracts	10	—	9	19
Foreign exchange movement	121	1	(45)	77
Total changes in the statement of profit or loss and OCI	**(669)**	**4**	**675**	**10**
Cash flows				
Premium paid	2,902	—	—	2,902
Amounts received	—	—	(604)	(604)
Total cash flows	**2,902**	**—**	**(604)**	**2,298**
Net closing balance	**2,184**	**9**	**361**	**2,554**
Closing assets	2,510	8	338	2,856
Closing liabilities	(326)	1	23	(302)
Net closing balance	**2,184**	**9**	**361**	**2,554**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)
Analysis by measurement component

	Year ended 31 December 2024						
			CSM				
US$m	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets	2,670	87	4	156	(61)	99	2,856
Opening liabilities	(417)	10	2	58	45	105	(302)
Net opening balance	**2,253**	**97**	**6**	**214**	**(16)**	**204**	**2,554**
Changes in the statement of profit or loss and OCI							
Changes that relate to current services							
CSM recognised for services received	—	—	(1)	(17)	(2)	(20)	(20)
Change in risk adjustment for non-financial risk for risk expired	—	(7)	—	—	—	—	(7)
Experience adjustments	(28)	—	—	—	—	—	(28)
Changes that relate to future services							
Contracts initially recognised in the year	(158)	9	—	—	155	155	6
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	4	—	—	11	6	17	21
Changes in estimates that adjust the CSM	257	(6)	1	(98)	(154)	(251)	—
Changes that relate to past services							
Adjustments to assets for incurred claims	(5)	—	—	—	—	—	(5)
Net expenses from reinsurance contracts	**70**	**(4)**	**—**	**(104)**	**5**	**(99)**	**(33)**
Effect of changes in non-performance risk of reinsurers	3	—	—	—	—	—	3
Net finance income/ (expenses) from reinsurance contracts	(270)	—	—	3	2	5	(265)
Foreign Exchange Movement	(215)	(8)	—	(8)	4	(4)	(227)
Total changes in the statement of profit or loss and OCI	**(412)**	**(12)**	**—**	**(109)**	**11**	**(98)**	**(522)**
Cash flows							
Premium paid	808	—	—	—	—	—	808
Amounts received	(523)	—	—	—	—	—	(523)
Total cash flows	**285**	**—**	**—**	**—**	**—**	**—**	**285**
Net closing balance	**2,126**	**85**	**6**	**105**	**(5)**	**106**	**2,317**
Closing assets	2,553	73	4	116	(65)	55	2,681
Closing liabilities	(427)	12	2	(11)	60	51	(364)
Net closing balance	**2,126**	**85**	**6**	**105**	**(5)**	**106**	**2,317**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)
(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)
Analysis by measurement component (continued)

	Year ended 31 December 2023						
			CSM				
US$m	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets	(240)	82	8	464	395	867	709
Opening liabilities	(549)	9	(2)	57	22	77	(463)
Net opening balance	**(789)**	**91**	**6**	**521**	**417**	**944**	**246**
Changes in the statement of profit or loss and OCI							
Changes that relate to current services							
CSM recognised for services received	—	—	(2)	(33)	(20)	(55)	(55)
Change in risk adjustment for non-financial risk for risk expired	—	(8)	—	—	—	—	(8)
Experience adjustments	(38)	—	—	—	—	—	(38)
Changes that relate to future services							
Contracts initially recognised in the year	187	25	—	—	(210)	(210)	2
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	—	2	2	4	4
Changes in estimates that adjust the CSM	406	(6)	2	(244)	(158)	(400)	—
Changes that relate to past services							
Adjustments to assets for incurred claims	9	—	—	—	—	—	9
Net expenses from reinsurance contracts	**564**	**11**	**—**	**(275)**	**(386)**	**(661)**	**(86)**
Net finance income/ (expenses) from reinsurance contracts	14	—	—	3	2	5	19
Foreign Exchange Movement	166	(5)	—	(35)	(49)	(84)	77
Total changes in the statement of profit or loss and OCI	**744**	**6**	**—**	**(307)**	**(433)**	**(740)**	**10**
Cash flows							
Premium paid	2,902	—	—	—	—	—	2,902
Amounts received	(604)	—	—	—	—	—	(604)
Total cash flows	**2,298**	**—**	**—**	**—**	**—**	**—**	**2,298**
Net closing balance	**2,253**	**97**	**6**	**214**	**(16)**	**204**	**2,554**
Closing assets	2,670	87	4	156	(61)	99	2,856
Closing liabilities	(417)	10	2	58	45	105	(302)
Net closing balance	**2,253**	**97**	**6**	**214**	**(16)**	**204**	**2,554**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)
(ii) (b) Reinsurance contract held measured under the premium allocation approach
Analysis by remaining coverage and incurred claims

	Year ended 31 December 2024				
	Assets for remaining coverage		Assets for incurred claims		
US$m	Excluding loss-recovery component	Loss-recovery component	Estimates of PV of FCF	Risk Adjustment	Total
Opening assets	(2)	1	20	1	20
Opening liabilities	(1)	—	(1)	—	(2)
Net opening balance	**(3)**	**1**	**19**	**1**	**18**
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premium paid	(18)	—	—	—	(18)
	(18)	—	—	—	(18)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	—	—	16	—	16
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	(1)	—	—	(1)
Adjustments to assets for incurred claims	—	—	(6)	—	(6)
	—	(1)	10	—	9
Investment components and premium refunds	—	—	—	—	—
Net expenses from reinsurance contracts	**(18)**	**(1)**	**10**	**—**	**(9)**
Foreign exchange movement	—	—	—	—	—
Total changes in the statement of profit or loss and OCI	**(18)**	**(1)**	**10**	**—**	**(9)**
Cash flows					
Premium paid	23	—	—	—	23
Amounts received	—	—	(19)	—	(19)
Total cash flows	**23**	**—**	**(19)**	**—**	**4**
Net closing balance	**2**	**—**	**10**	**1**	**13**
Closing assets	2	—	12	1	15
Closing liabilities	—	—	(2)	—	(2)
Net closing balance	**2**	**—**	**10**	**1**	**13**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)
(ii) (b) Reinsurance contract held measured under the premium allocation approach (continued)
Analysis by remaining coverage and incurred claims (continued)

	Year ended 31 December 2023				
	Assets for remaining coverage		Assets for incurred claims		
US$m	Excluding loss-recovery component	Loss-recovery component	Estimates of PV of FCF	Risk Adjustment	Total
Opening assets	15	—	1	—	16
Opening liabilities	(8)	1	6	1	—
Net opening balance	**7**	**1**	**7**	**1**	**16**
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premium paid	(19)	—	—	—	(19)
	(19)	—	—	—	(19)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	—	—	19	—	19
Adjustments to assets for incurred claims	—	—	(2)	—	(2)
	—	—	17	—	17
Investment components and premium refunds	—	—	—	—	—
Net expenses from reinsurance contracts	**(19)**	**—**	**17**	**—**	**(2)**
Foreign exchange movement	—	—	(1)	—	(1)
Total changes in the statement of profit or loss and OCI	**(19)**	**—**	**16**	**—**	**(3)**
Cash flows					
Premium paid	9	—	—	—	9
Amounts received	—	—	(4)	—	(4)
Total cash flows	**9**	**—**	**(4)**	**—**	**5**
Net closing balance	**(3)**	**1**	**19**	**1**	**18**
Closing assets	(2)	1	20	1	20
Closing liabilities	(1)	—	(1)	—	(2)
Net closing balance	**(3)**	**1**	**19**	**1**	**18**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(b) Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts held not measured under the PAA in the year.

(i) Insurance contracts

US$m	Profitable contracts issued	Onerous contracts issued	Profitable contracts acquired	Total
31 December 2024				
Claims and other insurance service expenses payable	(7,216)	(210)	—	(7,426)
Insurance acquisition cash flows	(2,133)	(83)	—	(2,216)
Estimates of present value of cash outflows	(9,349)	(293)	—	(9,642)
Estimates of present value of cash inflows	10,787	279	—	11,066
Risk adjustment for non-financial risk	(94)	(4)	—	(98)
Contractual Service Margin (CSM)	(1,344)	—	—	(1,344)
Amount included in insurance contract assets/liabilities for the year	**—**	**(18)**	**—**	**(18)**
31 December 2023				
Claims and other insurance service expenses payable	(6,953)	(405)	(318)	(7,676)
Insurance acquisition cash flows	(2,136)	(102)	—	(2,238)
Estimates of present value of cash outflows	(9,089)	(507)	(318)	(9,914)
Estimates of present value of cash inflows	10,748	491	363	11,602
Risk adjustment for non-financial risk	(115)	(3)	(3)	(121)
Contractual Service Margin (CSM)	(1,544)	—	(42)	(1,586)
Amount included in insurance contract assets/liabilities for the year	**—**	**(19)**	**—**	**(19)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(b) Effect of contracts initially recognised in the year (continued)

(ii) Reinsurance contracts held

US$m	Contracts initiated	Contracts acquired	Total
31 December 2024			
Estimates of present value of cash inflows	1,057	—	1,057
Estimates of present value of cash outflows	(1,215)	—	(1,215)
Risk adjustment for non-financial risk	9	—	9
Contractual Service Margin (CSM)	155	—	155
Amount included in reinsurance contract assets/ liabilities for the year	**6**	**—**	**6**
31 December 2023			
Estimates of present value of cash inflows	4,665	—	4,665
Estimates of present value of cash outflows	(4,474)	(4)	(4,478)
Risk adjustment for non-financial risk	24	1	25
Contractual Service Margin (CSM)	(213)	3	(210)
Amount included in reinsurance contract assets/ liabilities for the year	**2**	**—**	**2**

(c) Contractual service margin

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

	As at 31 December					
	2024			2023		
US$m	Insurance contracts	Reinsurance contracts held	Total	Insurance contracts	Reinsurance contracts held	Total
Within one year	589	(19)	570	579	(32)	547
One to five years	1,677	(24)	1,653	1,637	(68)	1,569
Five to ten years	1,217	(4)	1,213	1,189	(35)	1,154
More than ten years	1,797	(59)	1,738	1,845	(69)	1,776
Total	**5,280**	**(106)**	**5,174**	**5,250**	**(204)**	**5,046**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

The following table summarises the key variables on which insurance and investment contract cash flows depend.

Type of contract	Material terms and conditions	Nature of benefits and compensation for claims	Factors affecting contract cash flows	Key reportable segments
Traditional participating life assurance with DPF	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends, the timing or amount of which is at the discretion of the insurer taking into account factors such as investment experience.	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations.	Investment performance Expenses Mortality Lapses Morbidity Dividend / bonus rates	All
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations.	Investment performance Expenses Mortality Lapses Morbidity Partial withdrawals Premium holidays	Emerging markets (Malaysia and Indonesia)
Traditional non-participating life	Benefits paid on death, maturity, sickness or disability that are fixed and guaranteed and not at the discretion of the insurer.	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole.	Mortality Morbidity Lapses Expenses	All
Accident and health non-participating	These products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover.	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole.	Mortality Morbidity Lapses Expenses	All
Universal Life	Universal Life contracts combine savings with protection. Account balances are credited with interest at a rate set by the insurer.	Benefits are based on the account balance and death and living benefits.	Investment performance Crediting rates Lapses Partial withdrawals Premium holidays Expenses Mortality Morbidity	Hong Kong, Emerging Markets (Vietnam only)
Unit-linked	Investment-linked contracts combine savings with protection, the cash value of the policy depending on the value of unitised funds.	Benefits are based on the value of the unitised funds and death and living benefits.	Investment performance Lapses Partial withdrawals Premium holidays Expenses Mortality Morbidity	Hong Kong, Thailand, Emerging markets (Malaysia, Indonesia, Singapore, Philippines and Vietnam only)

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Methodology and assumptions

The most significant items to which profit or loss for the period and shareholders' equity are sensitive are market, insurance and lapse risks which are shown in the table below. Indirect exposure indicates that there is a second order impact. For example, whilst the profit or loss for the period attributable to shareholders is not directly affected by investment income earned where the investment risk is borne by policyholders (for example, in respect of unit-linked contracts), there is a second order effect through the investment management fees which the Group earns by managing such investments. The distinction between direct and indirect exposure is not intended to indicate the relative sensitivity to each of these items. Where the direct exposure is shown as being "net neutral", this is because the exposure to market and credit risk is offset by a corresponding movement in insurance contract liabilities.

	Market and credit risk			
	Direct exposure			
Type of contract	Insurance contract liabilities	Risks associated with related investment portfolio	Indirect exposure	Significant insurance and lapse risks
Traditional participating life assurance with DPF	Net neutral except for the insurer's share of participating investment performance Guarantees	Net neutral except for the insurer's share of participating investment performance	Investment performance	Persistency Mortality Morbidity
Takaful	Net neutral except for the insurer's share of participating investment performance Guarantees	Net neutral except for the insurer's share of participating investment performance	Investment performance	Persistency Mortality Morbidity Partial withdrawals Premium holidays
Traditional non-participating life assurance	Investment performance Asset-liability mismatch risk	Asset-liability mismatch risk Credit Risk Investment performance	Not applicable	Mortality Morbidity Persistency
Accident and health non-participating	Loss ratio Asset-liability mismatch risk	Investment performance Credit risk Asset-liability mismatch risk	Not applicable	Morbidity Persistency
Universal Life	Guarantees Asset-liability mismatch risk	Investment performance Credit risk Asset-liability mismatch risk	Spread between earned rate and crediting rate to policyholders	Mortality Persistency Partial withdrawals Premium holidays
Unit-Linked	Net neutral	Net neutral	Performance-related investment management fees	Mortality Persistency Partial withdrawals Premium holidays

The Group is also exposed to foreign currency risk in respect of its operations, and to interest rate risk, credit risk and equity price risk on assets representing net shareholders' equity, and to expense risk to the extent that actual expenses exceed those that can be charged to insurance contract holders on non-participating business. Expense assumptions applied in the Group's actuarial valuation models assume a continuing level of business volumes.

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Group generally determines the risk-free rates using either government bond yields or swap yield curve. The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. Although the ultimate forward rate is subject to revision, it is expected to be stable and would change only on changes to long-term expectations. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by adjusting the return of a reference portfolio to eliminate any factors that are not relevant to the insurance contracts.

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies.

As at 31 December 2024	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.11 %	4.85 %	4.34 %	5.08 %	4.55 %	5.29 %	4.77 %	5.51 %	4.90 %	5.64 %
HKD	3.88 %	4.70 %	3.60 %	4.41 %	3.65 %	4.46 %	3.72 %	4.53 %	3.75 %	4.56 %
THB	1.96 %	2.74 %	2.09 %	2.87 %	2.29 %	3.07 %	2.52 %	3.30 %	2.88 %	3.66 %
JPY	0.41 %	0.43 %	0.73 %	0.75 %	1.12 %	1.14 %	1.56 %	1.58 %	1.97 %	2.00 %
CNY	1.08 %	1.64 %	1.42 %	1.98 %	1.70 %	2.25 %	2.09 %	2.65 %	2.52 %	3.08 %

As at 31 December 2023	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.70 %	5.66 %	3.79 %	4.75 %	3.83 %	4.78 %	3.94 %	4.89 %	4.27 %	5.22 %
HKD	4.29 %	5.29 %	3.27 %	4.27 %	3.29 %	4.29 %	3.41 %	4.41 %	3.47 %	4.47 %
THB	2.30 %	2.97 %	2.48 %	3.15 %	2.75 %	3.42 %	3.04 %	3.71 %	3.35 %	4.02 %
JPY	(0.04)%	0.04 %	0.23 %	0.30 %	0.67 %	0.75 %	1.10 %	1.18 %	1.48 %	1.56 %
CNY	2.07 %	2.53 %	2.41 %	2.86 %	2.58 %	3.04 %	2.82 %	3.28 %	3.12 %	3.57 %

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from insurance contracts in each segment for each of the geographical markets in which the Group operates, consistent with the way that non-financial risk is managed. Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique.

Applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at 75th percentile (the target confidence level) over the expected present value of the future cash flows.

17 FINANCIAL INVESTMENTS

The following tables analyse the Group's financial investments by type and nature. The Group manages its financial investments in two distinct categories: Unit-linked Investments and Policyholder and Shareholder Investments.

Unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Group. The investment risk in respect of Unit-linked Investments is generally wholly borne by the customers and these investments are measured at fair value through profit or loss. Policyholder and Shareholder Investments include all financial investments other than Unit-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the Group.

Policyholder and Shareholder Investments are further categorised as Participating Funds, other participating business with discretionary expected sharing with policyholders and underlying distinct investment portfolios ("Other Participating Business with distinct Portfolios") and Other Policyholder and Shareholder investments. Other Participating Business with distinct Portfolios refers to business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.

The reason for separately analysing financial investments held by Participating Funds and Other Participating Business with distinct Portfolios is that Participating Funds are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends and for Other Participating Business with distinct Portfolios is, as explained above, expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. For Participating Funds and Other Participating Business with distinct Portfolios, the Group measures equity shares and interests in investment funds at fair value through profit or loss, and debt securities at fair value through other comprehensive income except for those being mandatory at fair value through profit or loss.

Other Policyholder and Shareholder Investments are distinct from Unit-linked Investments, Participating Funds and Other Participating Business with distinct Portfolios as there are not any direct contractual or regulatory requirements governing the amount, if any, for allocation to policyholders. The Group measures equity shares and interests in investment funds at fair value through profit or loss in this category and debt securities at fair value through other comprehensive income except for those being mandatory at fair value through profit or loss in this category. The investment risk from investments in this category directly impacts the Group's financial statements. For certain benefits of business written in "Participating Funds and Other Participating Business with distinct Portfolios" funds and Unit-linked funds that are not supported by the underlying segregated assets, the backing assets are generally included in "Other policyholder and shareholder" funds.

In the following tables, "FVTPL" indicates financial investments classified as fair value through profit or loss and "FVOCI" indicates financial investments classified as fair value through other comprehensive income.

17 FINANCIAL INVESTMENTS (continued)

17.1 Debt securities

In compiling the tables below, external international issue ratings have been used in accordance with the Group's credit risk assessment framework. Where external international issue ratings are not readily available, external local issue ratings are used by mapping to external international ratings based on an internal rating methodology. Where there is no external international or local issue rating, the external credit rating of the issuer is used and if not available, the debt security is classified as not-rated.

Standard and Poor's and Fitch	Moody's	Internal ratings reported as
AAA	Aaa	AAA
AA+ to AA-	Aa1 to Aa3	AA
A+ to A-	A1 to A3	A
BBB+ to BBB-	Baa1 to Baa3	BBB
BB+ to BB-	Ba1 to Ba3	BB (Below investment grade)
B+ to B-	B1 to B3	B (Below investment grade)
CCC+ and below	Caa1 and below	CCC or Not rated

Debt securities by type comprise the following:

US$m	Policyholder and shareholder investments: Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2024					
Government bonds					
United States	—	1,853	—	229	2,082
Japan	—	—	—	1,722	1,722
Thailand	—	—	—	12,231	12,231
Other	—	631	—	420	1,051
Sub-total	**—**	**2,484**	**—**	**14,602**	**17,086**
Government agency bonds[1]					
AAA	2	5	—	—	7
AA	—	432	—	188	620
A	—	138	—	398	536
BBB	—	71	—	454	525
Below investment grade	—	3	—	6	9
Sub-total	**2**	**649**	**—**	**1,046**	**1,697**
Corporate bonds					
AAA	—	166	—	9	175
AA	6	523	—	156	685
A	101	2,848	85	1,773	4,807
BBB	111	1,443	122	2,003	3,679
Below investment grade	—	10	20	703	733
CCC or not rated	27	69	45	36	177
Sub-total	**245**	**5,059**	**272**	**4,680**	**10,256**

17 FINANCIAL INVESTMENTS (continued)

17.1 Debt securities (continued)

US$m	Policyholder and shareholder investments: Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2024					
Structured securities[2]					
AAA	63	362	52	558	1,035
AA	252	770	65	145	1,232
A	41	639	8	174	862
BBB	—	90	681	1	772
CCC or not rated	42	53	27	52	174
Sub-total	**398**	**1,914**	**833**	**930**	**4,075**
Others					
Certificate of deposits	—	—	—	44	44
Sub-total	**—**	**—**	**—**	**44**	**44**
Total[3]	**645**	**10,106**	**1,105**	**21,302**	**33,158**

Notes:
1 Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.
2 Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
3 As at 31 December 2024, debt securities of US$3,954m, US$570m, US$18m and US$6m are restricted due to local regulatory requirements in Thailand, Macau, Indonesia and the Philippines, respectively.

US$m	Policyholder and shareholder investments: Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2023					
Government bonds					
United States	—	654	—	231	885
Japan	—	—	—	1,909	1,909
Thailand	—	—	—	11,088	11,088
Other	—	756	—	477	1,233
Sub-total	**—**	**1,410**	**—**	**13,705**	**15,115**
Government agency bonds[1]					
AAA	3	16	—	1	20
AA	—	538	—	220	758
A	—	193	—	291	484
BBB	—	40	—	629	669
Below investment grade	—	3	—	7	10
Sub-total	**3**	**790**	**—**	**1,148**	**1,941**
Corporate bonds					
AAA	—	163	—	16	179
AA	—	462	—	235	697
A	63	2,695	66	2,191	5,015
BBB	205	1,978	276	2,309	4,768
Below investment grade	10	35	19	1,018	1,082
CCC or not rated	51	41	55	33	180
Sub-total	**329**	**5,374**	**416**	**5,802**	**11,921**

17 FINANCIAL INVESTMENTS (continued)

17.1 Debt securities (continued)

US$m	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2023					
Structured securities[2]					
AAA	3	105	—	16	124
AA	6	188	—	21	215
A	41	198	19	36	294
BBB	46	177	1,093	19	1,335
Below investment grade	3	—	3	—	6
CCC or not rated	—	10	1	1	12
Sub-total	**99**	**678**	**1,116**	**93**	**1,986**
Others					
Certificate of deposits	—	17	—	12	29
Others	—	—	7	—	7
Sub-total	**—**	**17**	**7**	**12**	**36**
Total[3]	**431**	**8,269**	**1,539**	**20,760**	**30,999**

Notes:

1 Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.

2 Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

3 As at 31 December 2023, debt securities of US$3,658m, US$501m, US$20m and US$6m are restricted due to local regulatory requirements in Thailand, Macau, Indonesia and the Philippines, respectively.

As at 31 December 2024, debt securities of US$259m (2023: US$194m) are subject to repurchase and forward agreements, whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. The securities related to the repurchase and forward agreements are not derecognised from the consolidated statement of financial position, but are retained within the appropriate financial asset classification. During the term of the repurchase and forward agreements, the counterparty is restricted from selling or pledging the transferred debt securities. Refer to Note 24 for additional information on the associated liabilities.

17.2 Equity securities

Equity securities at fair value through profit and loss:

US$m	Policyholder and shareholder investments		
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder investments	Total
31 December 2024	130	91	221
31 December 2023	71	604	675

17 FINANCIAL INVESTMENTS (continued)

17.3 Interests in investment funds

Interests in investment funds at fair value through profit and loss:

	Policyholder and shareholder investments				
US$m	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder investments	Sub-total	Unit-linked	Total
31 December 2024	4,007	1,679	5,686	3,417	9,103
31 December 2023	4,306	1,576	5,882	2,785	8,667

Note:
[1] As at 31 December 2024, interests in investment funds of US$99m (2023: US$98m) are restricted due to local regulatory requirements in Macau.

17.4 Loans and deposits

	As at 31 December	
US$m	2024	2023
Accreting deposits and promissory notes	454	584
Term deposits	448	406
Other financial receivables	8	9
Provision for impairment	(8)	(3)
Total	**902**	**996**

Accreting deposits and promissory notes are stated at amortised cost. As at 31 December 2024, the accreting deposits and promissory notes bear interest rates ranging from 3.8% to 4.5% (2023: 3.8% to 4.5%) per annum and are repayable upon maturity.

Certain term deposits of US$38m as at 31 December 2024 (2023: US$37m) are restricted due to local regulatory requirements.

18 DERIVATIVE FINANCIAL INSTRUMENTS

The followings summarised the Group's derivative exposure:

		Fair value	
US$m	Notional amount	Assets	Liabilities
31 December 2024			
Foreign exchange contracts			
Forwards	8,699	107	(377)
Cross-currency swaps	831	55	(3)
Total foreign exchange contracts	**9,530**	**162**	**(380)**
Interest rate swaps	**8**	**—**	**—**
Others			
Warrants and options	792	63	(10)
Bond forward contracts	2,409	47	(138)
Other equity derivatives	50	13	—
Total	**12,789**	**285**	**(528)**
31 December 2023			
Foreign exchange contracts			
Forwards	7,956	105	(340)
Cross-currency swaps	591	21	(15)
Total foreign exchange contracts	**8,547**	**126**	**(355)**
Interest rate swaps	**508**	**1**	**—**
Others			
Warrants and options	499	68	—
Bond forward contracts	688	1	(61)
Other equity derivatives	50	22	—
Total	**10,292**	**218**	**(416)**

Notional amount of foreign exchange contracts refers to the receive leg of foreign derivative transactions.

The Group's derivatives are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

Derivatives assets and derivative liabilities are recognised in the consolidated statement of financial position as financial assets at fair value through profit or loss and derivative financial liabilities, respectively. The Group’s derivative contracts are established to economic hedge financial exposures. The Group adopts hedge accounting in limited circumstances. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the consolidated statement of financial position as they do not represent the fair value of these transactions. The notional amounts in the previous table reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of derivative transactions.

18 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign exchange contracts

Foreign exchange forward and futures contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange the currency of one country for the currency of another country at agreed prices and settlement dates. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to gains and losses on the foreign exchange contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, implied volatility of the underlying indices and the timing of payments.

Interest rate swaps

Interest rate contracts are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate contracts involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments.

Other derivatives

Forward contracts are contractual obligations to buy or sell a financial instrument on a predetermined future date at a specified price. Credit default swaps represent agreements under which the Group has purchased default protection on certain underlying corporate bonds held in its portfolio. These credit default swaps allow the Group to sell the protected bonds at par value to the counterparty if a default event occurs in exchange for periodic payments made by the Group for the life of the agreement.

As at 31 December 2024 and 2023, the Group has a call option with a 5-year exercise period expiring in 2025 pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. Refer to Note 31 for details.

Collateral under derivative transactions

As at 31 December 2024, the Group held cash collateral of US$84m and debt securities collateral with a carrying value of US$8m for assets, and posted cash collateral of US$95m and pledged debt securities with a carrying value of US$368m for liabilities. As at 31 December 2023, the Group held cash collateral of US$43m and debt securities collateral with a carrying value of US$10m for assets, and posted cash collateral of US$57m and pledged debt securities with a carrying value of US$311m for liabilities. The Group did not sell or repledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions. Further information relating to cash collateral is included in Notes 20 and 24.

Derivatives designated as hedging instruments

During the years ended 31 December 2024 and 2023, the Group designated an interest rate swap as cash flow hedge of variable rate interest payments arising from a bank borrowing. The terms of the interest rate swap have been negotiated to match the terms of the variable rate interest payments. As a result, this hedging relationship is considered highly effective at inception, 31 December 2024 and 2023. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment. As at 31 December 2024, the fair value of the interest rate swap designated as hedging instrument was US$nil (2023: US$1m).

The Group has designated certain foreign exchange derivative assets with fair values of US22m and US$1m, and certain foreign exchange derivative liabilities with fair values of US$92m and US$9m as at 31 December 2024 and 2023, respectively, in cash flow hedges of foreign exchange risk. For details, please refer to Note 27 Foreign exchange rate risk. The Group has also designated certain bond forward derivatives assets with fair values of US$39m and US$1m, and certain bond forward derivative liabilities with fair values of US$nil and US$14m, as at 31 December 2024 and 2023, respectively, in cash flow hedges of bond price risk. These hedging relationships were considered highly effective as at 31 December 2024 and 2023.

19 FAIR VALUE MEASUREMENT

Fair value hierarchy

The fair value is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure their fair values ("Fair Value Hierarchy") as discussed below:

- Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Group does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded equities and debt securities.

- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include debt securities, equity securities, interests in investment funds and derivative contracts.

- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 mainly include investment properties and private equity fund investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Group considers factors specific to the asset or liability.

19 FAIR VALUE MEASUREMENT (continued)

19.1 Fair value measurements on a recurring basis

The Group measures investment properties, financial instruments classified at fair value through profit or loss, financial instruments classified at fair value through OCI, derivative assets and liabilities, and investment contract liabilities at fair value on a recurring basis. The following methods and assumptions were used by the Group to estimate the fair value.

Debt securities, equity securities and interests in investment funds

Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor’s credit spreads, foreign exchange rates and credit default rates.

The fair values of listed equity securities are based on quoted market prices. The transaction price is used as the best estimate of fair value at inception. The fair values of unlisted private equity funds are based on the reported net assets value (“NAV”) in their financial statements, considering various factors including the accounting policies adopted by the investees, the restrictions and barriers preventing the Group from disposing the investments, the Group's ownership percentage over the investee and other relevant factors.

Derivative financial instruments

The Group values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Group generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

Investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the investment properties at least on an annual basis. Investment properties are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. The current use of the investment property is considered to be its highest and best use; records of recent sales and offerings of similar property are analysed, and comparison made for such factors as size, location, quality and prospective use.

The fair values of the Group’s investment properties are determined based on the discounted cash flow approach which may be used by reference to net rental income allowing for reversionary income potential to estimate the fair value. Other inputs that are taken into consideration include value of comparable property and adjustments for factors such as size, location, quality and prospective use. The fair value measurement of the Group’s investment properties is classified as Level 3.

Investment contract liabilities without DPF

Investment contracts can be surrendered by the holder at any time. Accordingly, their fair value is not less than the amount payable on demand. The fair values are based on the fair value of the underlying items less any surrender charges.

19 FAIR VALUE MEASUREMENT (continued)

19.1 Fair value measurements on a recurring basis (continued)

A summary of assets and liabilities carried at fair value on a recurring basis according to fair value hierarchy is given below:

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2024				
Recurring fair value measurements				
Non-financial assets				
Investment property	—	—	466	466
Financial assets				
At fair value through OCI				
Debt securities	2,358	28,966	84	31,408
Government bonds	2,329	14,757	—	17,086
Government agency bonds	29	1,666	—	1,695
Corporate bonds	—	9,655	84	9,739
Structured securities	—	2,844	—	2,844
Others	—	44	—	44
At fair value through profit or loss				
Debt securities	—	1,069	681	1,750
Government agency bonds	—	2	—	2
Corporate bonds	—	517	—	517
Structured securities	—	550	681	1,231
Equity shares	104	—	117	221
Interests in investment funds	1,819	3,824	3,460	9,103
Derivative financial instruments	—	224	61	285
Total assets on a recurring fair value measurement basis	**4,281**	**34,083**	**4,869**	**43,233**
% of Total	*10 %*	*79 %*	*11 %*	*100 %*
Financial liabilities				
Investment contract liabilities without DPF	—	—	32	32
Derivative financial instruments	—	528	—	528
Total liabilities on a recurring fair value measurement basis	**—**	**528**	**32**	**560**
% of Total	*— %*	*94 %*	*6 %*	*100 %*

19 FAIR VALUE MEASUREMENT (continued)

19.1 Fair value measurements on a recurring basis (continued)

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2023				
Recurring fair value measurements				
Non-financial assets				
Investment property	—	—	599	599
Financial assets				
At fair value through OCI				
Debt securities	1,170	27,786	73	29,029
Government bonds	1,130	13,985	—	15,115
Government agency bonds	35	1,903	—	1,938
Corporate bonds	5	11,098	73	11,176
Structured securities	—	771	—	771
Others	—	29	—	29
At fair value through profit or loss				
Debt securities	—	873	1,097	1,970
Government agency bonds	—	3	—	3
Corporate bonds	—	745	—	745
Structured securities	—	125	1,090	1,215
Others	—	—	7	7
Equity shares	577	—	98	675
Interests in investment funds	2,094	3,258	3,315	8,667
Derivative financial instruments	—	151	67	218
Total assets on a recurring fair value measurement basis	**3,841**	**32,068**	**5,249**	**41,158**
% of Total	*9 %*	*78 %*	*13 %*	*100 %*
Financial liabilities				
Investment contract liabilities without DPF	—	—	56	56
Derivative financial instruments	—	416	—	416
Total liabilities on a recurring fair value measurement basis	**—**	**416**	**56**	**472**
% of Total	*— %*	*88 %*	*12 %*	*100 %*

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting year, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the years ended 31 December 2024, the Group transferred US$3m (2023:US$nil) of financial assets from Level 1 to Level 2.

The Group's Level 2 financial instruments include debt securities, interests in investment funds and derivative instruments. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from third-party pricing services and brokers are not available, internal valuation techniques and inputs will be used to derive the fair value for the financial instruments.

19 FAIR VALUE MEASUREMENT (continued)

19.1 Fair value measurements on a recurring basis (continued)

Level 3 assets and liabilities

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended 31 December 2024 and 2023. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2024 and 2023.

US$m	Investment property	Debt securities	Equity securities	Interests in investment funds	Derivative financial assets/ (liabilities)	Investment contract liabilities without DPF
As at 1 January 2024	599	1,170	98	3,315	67	(56)
Net movement on investment contract liabilities	—	—	—	—	—	24
Total gains/(losses)						
Reported under investment return in the consolidated income statement	(5)	73	16	11	(6)	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(52)	(36)	—	(51)	—	—
Purchases	—	14	3	379	—	—
Sales	(76)	(456)	—	(152)	—	—
Transfer out of level 3	—	—	—	(42)	—	—
As at 31 December 2024	**466**	**765**	**117**	**3,460**	**61**	**(32)**
Change in unrealised gains/(losses) included in the consolidated income statement for assets and liabilities held at the end of the reporting year, under investment return	(5)	78	9	2	(6)	—

US$m	Investment property	Debt securities	Equity securities	Interests in investment funds	Derivative financial assets/ (liabilities)	Investment contract liabilities without DPF
As at 1 January 2023	641	972	79	3,067	51	(112)
Net movement on investment contract liabilities	—	—	—	—	—	56
Total gains/(losses)						
Reported under investment return in the consolidated income statement	(2)	6	16	20	16	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(41)	(20)	—	(33)	—	—
Purchases	—	217	3	311	—	—
Sales	—	(5)	(1)	(36)	—	—
Settlements	—	—	—	(17)	—	—
Transfer to other assets	—	(2)	—	—	—	—
Acquisition of subsidiaries	1	2	1	—	—	—
Transfer into Level 3	—	—	—	3	—	—
As at 31 December 2023	**599**	**1,170**	**98**	**3,315**	**67**	**(56)**
Change in unrealised gains/(losses) included in the consolidated income statement for assets and liabilities held at the end of the reporting year, under investment return	(2)	6	15	20	16	—

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in Note 22.

Assets transferred into Level 3 mainly relate to interests in investment funds of which market-observable inputs became unavailable during the year and were not used in determining the fair value. Assets transferred out of Level 3 mainly relate to interests in investment funds of which market-observable inputs became available during the year and were used in determining the fair value.

19 FAIR VALUE MEASUREMENT (continued)

19.1 Fair value measurements on a recurring basis (continued)

Level 3 interests in investment funds and debt securities

As at 31 December 2024 and 2023, interests in investment funds classified as level 3 mainly include unlisted investment funds, debt securities classified as level 3 mainly include unlisted asset-backed securities. The Group determines the fair values of these investment funds based on the reported NAV in their audited financial statements and may make adjustments where appropriate taking into consideration various factors including accounting policies adopted by the fund, the restrictions and barriers preventing the Group from disposing of its interests in such fund and the Group's ownership percentage in such fund. For those funds where reporting year end audited financial statements are not available, the Group performs a roll forward analysis on the latest NAV of the fund based on fund managers' statements available and capital movements up to the reporting year end. This valuation methodology is in accordance with guidelines of the International Valuation Standards Council. The Group considers that the change in the input to the valuation technique would not have a significant impact on the consolidated financial statements. No quantitative analysis has been presented.

Level 3 investment property

Under the discounted cash flow approach, both income and expenses over a certain number of years from the date of valuation are itemised and projected annually taking into account the current rental revenue and the expected growth of income and expenses of each of the properties. The net cash flow over the period is discounted at an appropriate rate of return. There were no changes to the valuation techniques during the years ended 31 December 2024 and 2023.

The discount rates are estimated based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value. Occupancy rate is the aggregated leased area as a percentage of total leasable area. The higher the rate, the higher the fair value.

Significant unobservable inputs used in the discounted cash flow approach are disclosed as below.

	As at 31 December	
	2024	2023
Monthly market rental income (US$ per sq.m.)	10 - 959	11 - 953
Discount rate per annum	2.4%-10.0%	2.4%-10.0%
Occupancy rate	96% - 100%	96% - 100%

This valuation methodology is in accordance with guidelines of the International Valuation Standards Council.

Level 3 investment contract liabilities without DPF

Investment contract liabilities categorised in Level 3 of the fair value hierarchy are measured with reference to the value of the underlying items which are mainly unlisted investment funds.

19 FAIR VALUE MEASUREMENT (continued)

19.2 Fair value measurements for disclosure purpose

Fair values of financial assets and liabilities for disclosure purpose are determined using the same Fair Value Hierarchy.

Loans and deposits

For loans and deposits that are repriced frequently and have not had any significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans and deposits are estimated by discounting expected future cash flows using interest rate offered for similar instruments to holders with similar credit ratings.

Other assets

The carrying amount of other financial assets is not materially different to their fair value.

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

Borrowings

The fair values of borrowings with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted financial liabilities is estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without stated maturity, where the carrying value approximates to fair value.

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2024 and 2023 is given below.

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2024				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	440	—	440
Total assets for which the fair value is disclosed	**—**	**440**	**—**	**440**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes / subordinated dated capital securities	1,954	—	—	1,954
Total liabilities for which the fair value is disclosed	**1,954**	**—**	**—**	**1,954**

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2023				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	553	—	553
Total assets for which the fair value is disclosed	**—**	**553**	**—**	**553**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes	1,550	—	—	1,550
Total liabilities for which the fair value is disclosed	**1,550**	**—**	**—**	**1,550**

19 FAIR VALUE MEASUREMENT (continued)

19.2 Fair value measurements for disclosure purpose (continued)

The following table sets out the composition and the fair value of underlying items for the Group's insurance contracts with direct participation features as at 31 December 2024 and 2023.

	As at 31 December	
US$m	2024	2023
Financial assets		
Loans and deposits	133	99
At fair value through OCI		
Debt securities	12,449	10,899
Government bonds	2,580	1,520
Government agency bonds	744	874
Corporate bonds	6,911	7,768
Structured securities	2,213	718
Others	1	19
At fair value through profit or loss		
Debt securities	828	591
Government agency bonds	2	3
Corporate bonds	357	474
Structured securities	469	114
Equity shares	131	71
Interests in investment funds	7,741	7,511
Derivative financial instruments	44	23
Cash and cash equivalents	285	194
Total assets on a recurring fair value measurement basis	**21,611**	**19,388**
Financial liabilities		
Derivative financial instruments	145	42
Total liabilities on a recurring fair value measurement basis	**145**	**42**

20 OTHER ASSETS

US$m	As at 31 December 2024	As at 31 December 2023
Accounts receivable[1]	237	394
Accrued investment income	279	263
Restricted cash	—	2
Deposits	22	23
Prepayments	84	134
Total	**622**	**816**

Note:
[1] Accounts receivable as at 31 December 2024 includes cash collaterals of US$95m (2023: US$57m) posted for derivative liabilities and US$nil (2023: US$193m) posted for recapture of reinsurance arrangement.

As at 31 December 2024, US$nil (2023: US$2m) was restricted for the acquisition for investment in associate.

All amounts other than certain prepayments and amounts due from subsidiaries are generally expected to be recovered within 12 months after the end of the reporting year.

21 CASH AND CASH EQUIVALENTS

US$m	As at 31 December 2024	As at 31 December 2023
Cash	1,397	1,188
Cash equivalents	290	820
Total	**1,687**	**2,008**

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits with maturities at acquisition of three months or less.

22 INVESTMENT CONTRACT LIABILITIES

US$m	As at 31 December 2024	As at 31 December 2023
At beginning of year	56	197
Benefits paid	(25)	(52)
Investment return from underlying assets	1	(1)
Others	—	(88)
At ending of year	**32**	**56**

23 BORROWINGS

	As at 31 December	
US$m	2024	2023
Bank borrowings	996	992
Medium term notes	318	641
Subordinated notes	887	898
Subordinated dated capital securities	592	—
Total	**2,793**	**2,531**

Interest expense on borrowings is shown in Note 10. Further information relating to interest rates and the maturity profile of borrowings is presented in Note 27.

Outstanding bank borrowings, notes and capital securities placed to the market as at 31 December 2024:

Issue date	Nominal amount	Interest rate	Tenor
Bank borrowings			
30 December 2021[2]	US$1,000m	Note 1	4 years
Medium term notes			
6 December 2023	US$325m	7.784 %	10 years
Subordinated notes			
5 April 2024	US$900m	8.400 %	5 years
Subordinated dated capital securities			
2 July 2024	US$600m	7.635 %	7 years

Note:
1 The interest rate of bank borrowing was SOFR plus i) a credit adjustment spread and ii) 1.075% as at 31 December 2024 and 2023.
2 The bank borrowings of the Group are subject to standard covenants that are customary for commercial bank loans. The lenders may accelerate the repayment dates of these borrowings if the Group does not comply with such covenants, subject to any applicable grace periods. The Group is not aware of any non-compliance with these covenants that could result in the repayment dates of such borrowings being accelerated.

23 BORROWINGS (continued)

During the year ended 31 December 2024, the Group has settled the following borrowings on scheduled maturity dates:

Issue date	Nominal amount	Interest rate	Tenor	Status
Medium term notes				
24 September 2014	US$325m	5.00 %	10 years	Settled
Subordinated notes				
9 July 2019	US$550m	5.75 %	5 years	Settled
23 July 2019	US$250m	5.75 %	5 years	Settled
30 July 2019	US$100m	5.75 %	5 years	Settled

These medium-term notes, subordinated notes and subordinated dated capital securities were/are listed on The Stock Exchange of Hong Kong Limited. The net proceeds from the issuance of the medium-term notes, subordinated notes and subordinated dated capital securities were/are used for acquisitions, general corporate purposes and funding requirements of the Group.

On 25 August 2023, the medium-term notes and subordinated notes were novated by FL and FGL to the Company. As such, the Company has assumed all the rights and obligations as the issuer of each of the medium-term notes and subordinated notes.

On 25 August 2023, FGL transferred its US$1,000m bank borrowing and US$500m committed revolving credit facility to the Company. As such, the Company has assumed all the rights and obligations under the bank borrowing and revolving credit facility.

The Group had access to the following undrawn borrowing facilities at the end of the reporting years:

US$m	As at December	
Facility agreement date	2024	2023
Undrawn committed revolving credit facilities[1]		
28 December 2021[2]	500	500
17 December 2023[3]	885	500
22 November 2024[4]	500	—
	1,885	1,000
Undrawn committed term loan facilities[5]		
22 November 2024	1,000	—

Notes:

[1] The borrowing facilities are unsecured and used for general corporate purposes.

[2] Consisting of a US$500m committed revolving credit facility with an original maturity of three years which was extended in February 2023 by one year to 2025. The Group had drawn down US$25m of the committed revolving credit facility on 24 October 2024 with interest rate of SOFR+1.075% + credit adjustment spread, which was subsequently repaid on 25 November 2024.

[3] Consisting of a US$500m committed revolving credit facility maturing in 2027, which was subsequently upsized to (i) US$685m on 6 February 2024, (ii) US$785m on 18 November 2024 and (iii) US$885m on 30 December 2024. The Group had drawn down US$25m of the committed revolving credit facility on 30 October 2024 with interest rate of SOFR+1.06%, which was subsequently repaid on 29 November 2024.

[4] Consisting of US$250m and US$250m committed revolving credit facilities maturing in 2028 and 2030, respectively. These committed revolving credit facilities will be used for refinancing the US$500m committed revolving credit facilities available under the facilities agreement dated 28 December 2021.

[5] Consisting of US$500m and US$500m committed term loan facilities maturing in 2028 and 2030, respectively. These committed term loan facilities are unsecured and will be used for refinancing the US$1,000m bank borrowings that were available under the facilities agreement dated 28 December 2021.

24 OTHER LIABILITIES

US$m	As at 31 December 2024	As at 31 December 2023
Trade and other payables[1]	816	675
Distribution agreement payable	26	88
Lease liabilities	106	122
Obligations under repurchase and forward arrangements	226	174
Total	**1,174**	**1,059**

Notes:
[1] Other payables as at 31 December 2024 includes US$84m (2023: US$43m) relating to the cash collateral held for derivative assets.

As at 31 December 2024, distribution agreement payable mainly represents deferred payments to be paid in accordance with the terms set out in Vietcombank Distribution Agreement. As at 31 December 2023, distribution agreement payable mainly represents the deferred payments to be paid in accordance with the terms set out in SCB Distribution Agreement and Vietcombank Distribution Agreement.

The total cash outflow for leases for the year ended 31 December 2024 was US$48m (2023: US$51m).

During the years ended 31 December 2024 and 2023, the Group has entered into repurchase and forward agreements whereby certain debt securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. Refer to Note 17.1 for details.

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

25.1 Share capital and share premium

Ordinary Shares	Number of shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Ordinary shares of US$0.01 each as at 31 December 2023	2,118,816,290	21	—	21
Ordinary shares of US$0.01 each as at 31 December 2024	2,118,816,290	21	—	21
Issued and fully paid:				
Ordinary shares of US$0.01 each as at 1 January 2023, 31 December 2023 and 2024	939,953,815	9	6,402	6,411

Management Shares	Number of shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Management Shares of US$0.01 each as at 31 December 2023	65,000,000	1	—	1
Management Shares of US$0.01 each as at 31 December 2024	65,000,000	1	—	1
Issued and fully paid:				
Issue of Management Shares pursuant to the Exchange of Share Capital of FL and FGL on 31 July 2023 (Note 1.2)	34,756,740	—	160	160
Management Shares of US$0.01 each as at 31 December 2023 and 2024	34,756,740	—	160	160

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

25.1 Share capital and share premium (continued)

Series P Conversion Shares	Number of shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Series P Conversion Shares of US$0.01 each as at 31 December 2023	120,099,900	1	—	1
Series P Conversion Shares of US$0.01 each as at 31 December 2024	120,099,900	1	—	1
Issued and fully paid:				
Issue of Series P Conversion Shares pursuant to the Exchange of Share Capital of FL and FGL on 31 July 2023 (Note 1.2)	120,099,900	1	376	377
Series P Conversion Shares of US$0.01 each as at 31 December 2023 and 2024	120,099,900	1	376	377

Series A, B-2 and B-3 Conversion Shares	Number of shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 31 December 2023	196,083,810	2	—	2
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 31 December 2024	196,083,810	2	—	2
Issued and fully paid:				
Issue of Series A, B-2 and B-3 Conversion Shares pursuant to the Exchange of Share Capital of FL and FGL on 31 July 2023 (Note 1.2)	196,083,810	2	2,060	2,062
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 31 December 2023 and 2024	196,083,810	2	2,060	2,062
As at 31 December 2023	1,290,894,265	12	8,998	9,010
As at 31 December 2024	1,290,894,265	12	8,998	9,010

On 31 July 2023, the authorised share capital of the Company is US$25m divided into (i) 2,118,816,290 ordinary shares with a nominal or par value of US$0.01 each, (ii) 65,000,000 Management Shares with a nominal or par value of US$0.01 each, (iii) 120,099,900 Series P Conversion Shares with a nominal or par value of US$0.01 each, (iv) 69,578,760 Series A conversion shares with a nominal or par value of US$0.01 each, (v) 7,588,050 Series B-2 conversion shares with a nominal or par value of US$0.01 each and (vi) 118,917,000 Series B-3 conversion shares with a nominal or par value of US$0.01 each.

Management Shares, Series P Conversion Shares, and Series A, B-2 and B-3 Conversion Shares issued by the Company do not have fixed maturity, participate in discretionary dividends and are non-redeemable. These shares will be mandatorily converted into ordinary shares of the Company upon completion of an initial public offering of the Company, and rank pari passu with all other shares on any payment of dividend or distribution or return of capital, with the exception that on any payment of a dividend or distribution or return of capital (other than on a liquidation event), holders of Series A, B-2 and B-3 Conversion Shares shall have the benefit of an increased entitlement to such dividend or distribution.

The holders of Management Shares and Series P Conversion Shares are entitled to the same voting rights as each ordinary share in the Company, while holders of Series A, B-2 and B-3 Conversion Shares are not entitled to attend or vote at general meetings of the Company.

Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares do not contain any contractual obligations to deliver cash, other financial assets, or a variable number of the Group's own equity instruments which cannot be unconditionally avoided by the Group. Accordingly, they are classified as equity in the Group's consolidated financial statements.

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

25.2 Reserves

(a) Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of financial investments measured at FVOCI held at the end of the reporting year.

(b) Insurance finance reserve
The insurance finance reserve comprises the cumulative insurance finance income and expenses recognised in other comprehensive income.

(c) Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

(d) Cash flow hedge reserve
The cash flow hedge reserve represents the cumulative gain or loss on the hedging instrument from the inception of the cash flow hedge.

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently reclassified to profit or loss.

The Group defers the changes in the forward element of forward contracts in the costs of hedging reserve and amortises the forward points at the inception of the hedge in the consolidated income statement over the life of the hedge.

The Group's hedging reserves relate to the following hedging instruments:

US$'m	Cost of hedging reserve	Effective portion of foreign currency derivatives	Others	Total cash flow hedge reserves
Opening balance at 1 January 2024	—	4	(36)	(32)
Add: Change in fair value of hedging instruments recognised in OCI for the year	—	32	56	88
Add: Costs of hedging deferred and recognised in OCI	(20)	—	—	(20)
Less: Reclassified from OCI to profit or loss – included in investment return	—	(27)	(4)	(31)
Less: Amortisation of cost of hedging recognised in profit or loss – included in investment return	11	—	—	11
Less: Deferred tax	1	(1)	(10)	(10)
Closing balance at 31 December 2024	(8)	8	6	6

The movement of cash flow hedge reserve for the year ended 31 December 2023 is insignificant.

(e) Other reserves
Other reserves mainly include capital redemption reserve and share-based compensation reserve.

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

25.3 Perpetual securities

FL and FGL issued the following perpetual securities. On 25 August 2023, FL and FGL novated all the perpetual securities to the Company (the “Novation of Perpetual Securities”). As such, the Company has assumed all the rights and obligations as the issuer of each of the perpetual securities.

Issuance date	Nominal amount	Distribution rate	Tenor
15 June 2017	US$500m	Note 1	Perpetual
6 July 2017	US$250m	Note 1	Perpetual
1 February 2018	US$200m	Note 2	Perpetual
13 September 2019 [3]	US$600m	6.375 %	Perpetual

Notes:

[1] 0% for first 5 years, and reset to 8.045% on 15 June 2022

[2] 5.5% for first 5 years, and reset to 6.675% on 1 February 2023

[3] On 13 September 2024, the Group redeemed the US$600m 6.375% perpetual securities. The redemption price is composed of the outstanding principal amount together with distributions accrued to such date. The difference between the carrying amount of the redeemed perpetual securities and the cash paid upon redemption of US$4m was recognised in accumulated losses on the date of redemption.

Carrying amount of the perpetual securities:

US$m	As at 31 December	
Issuance date	2024	2023
15 June 2017	360	360
6 July 2017	178	178
1 February 2018	203	202
13 September 2019	—	608
	741	**1,348**

The issuers of the perpetual securities may, at its sole option, defer the distributions by giving notice to the holders. In the event of any distribution deferral, the issuers cannot declare or pay any dividend on its ordinary or preference share capital, except if payments are declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, or consultants. The perpetual securities have been treated as equity in the Group's consolidated statement of financial position. The proceeds from the issuance were used for general corporate purposes, potential transactions and/or repayment of the Group's own indebtedness. During the year ended 31 December 2024, the Group paid distributions of US$112m (2023: US$110m).

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

25.4 Non-controlling interests

Non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company.

As at 31 December 2024, equity of the Group attributable to non-controlling interests is US$61m (2023: US$50m), which is related to ordinary shares and preference shares issued by the subsidiaries of FL and FGL to non-controlling interests holders.

The key terms of the preference shares and convertible preference shares issued by FL and FGL are summarised below.

(a) Preference shares

Preference shares issued by FL and FGL do not have fixed maturity, participate in discretionary dividends and are redeemable within the control of the Group. The holders of preference shares are entitled to the same voting rights as each ordinary share in FL and FGL.

The preference shares rank pari passu with all other shares on any payment of dividend or distribution or return of capital (other than on a liquidation event). On a liquidation event, the assets of FL and FGL available for distribution amongst the shareholders shall be applied to pay the preference shareholders pari passu with the holders of the convertible preference shares (in priority to any payment to the holders of any other class of shares in the capital of FL and FGL).

(b) Convertible preference shares

Convertible preference shares issued by FL and FGL do not have fixed maturity, participate in discretionary dividends and are redeemable within the control of the Group. The holders of convertible preference shares are not entitled to attend or vote at general meetings of FL and FGL.

The convertible preference shares rank pari passu with all other shares, with the exception that (i) on any payment of a dividend or distribution or return of capital (other than on a liquidation event), certain holders of the convertible preference shares shall have the benefit of an increased entitlement to such dividend or distribution and (ii) on a liquidation event, the assets of FL and FGL available for distribution amongst the shareholders shall be applied to pay the convertible preference shareholders pari passu with the holders of the preference shares (in priority to any payment to the holders of any other class of shares in the capital of FL and FGL).

The convertible preference shares do not contain any contractual obligations to deliver cash, other financial assets, or a variable number of the Group’s own equity instruments which cannot be unconditionally avoided by the Group. Accordingly, the convertible preference shares are classified as equity and presented as non-controlling interests in the Group’s consolidated financial statements.

After the Exchange of Share Capital of FL and FGL on 31 Jul 2023, FL and FGL have become wholly-owned subsidiaries of the Company and all the ordinary shares, preference shares and convertible preference shares issued by FL and FGL are held by the Company.

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

25.5 Transactions with non-controlling interests

During the year ended 31 December 2024:

i. On 8 March 2024, the Group acquired an additional 21% of the issued ordinary shares of FWD Takaful Berhad from non-controlling interests holders, for a total consideration of US$26m.

ii. In September 2024, FWD BSN Holdings Sdn. Bhd., a subsidiary of the Group, issued preference shares to the Group and the other shareholder for a cash consideration of US$21m and US$9m, respectively, without a change in shareholding interest.

iii. In September 2024, FMH Capricorn, a subsidiary of the Group, issued ordinary shares to the Group and the other shareholders for a cash consideration of US$6m and US$23m, respectively, without a change in shareholding interest.

During the year ended 31 December 2023:

i. On 6 January 2023, 13 February 2023, 9 March 2023, 28 March 2023, 12 April 2023, 14 April 2023, 11 May 2023 and 12 July 2023, the Company made capital contributions of US$80m, US$33m, US$101m, US$15m, US$45m, US$13m, US$36m and US$5m to FGL, respectively. No shares were issued by FGL as a result of these transactions.

ii. On 23 February 2023, 9 March 2023 and 10 May 2023, the Company made capital contributions of US$55m, US$13m and US$14m to FL, respectively. No shares were issued by FL as a result of these transactions.

iii. On 27 March 2023, FMH Capricorn Holdings Sdn Bhd (“FMH Capricorn”), a subsidiary of the Group, issued ordinary shares to the Group and other holders for a cash consideration of US$4m and US$16m, respectively. As a result, the Group’s ownership interest in FMH Capricorn decreased from 100% to 20% without change in control.

iv. On 31 July 2023, the Group repurchased an aggregate of 283,410 ordinary shares of FL and FGL from a non-controlling interests holder for a consideration of US$15m.

v. On 31 July 2023, the Company acquired the interests of FL and FGL held by the non-controlling interest holders in consideration for 34,756,740 Management Shares, 120,099,900 Series P Conversion Shares and 196,083,810 Series A, B-2 and B-3 Conversion Shares issued by the Company. For details, please refer to Note 1.2.

vi. In November 2023, FWD BSN Holdings Sdn. Bhd., a subsidiary of the Group, issued ordinary shares to the Group and the other shareholder for a cash consideration of US$2m and US$1m, respectively, without a change in shareholding interest.

26 GROUP CAPITAL STRUCTURE

Capital Management Approach

The Group’s capital management objectives focus on maintaining a strong capital base to support the development of the business, maximising shareholders' value and satisfying regulatory capital requirements at all times.

The Group's capital management activity considers all capital-related activities of the Group and assists senior management in making capital decisions. The capital management activity includes asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes.

26 GROUP CAPITAL STRUCTURE (continued)

Group-wide Supervision Framework

The group supervisor of the Group is the Hong Kong Insurance Authority (“HKIA”). The Group is in compliance with the group capital adequacy requirements as applied to it.

In 2021, the HKIA implemented Group-wide Supervision (“GWS”) framework, under which the HKIA has direct regulatory powers over Hong Kong incorporated holding companies of insurance groups that are designated. The Group has been subject to the GWS framework since 14 May 2021 and FWD Group Holdings Limited (the “Company”) was identified as the reference company under GWS.

Under the GWS framework, the group capital adequacy requirements are determined in accordance with the Insurance (Group Capital) Rules (“Group Capital Rules”).

Local Regulatory Solvency

The Group's individual subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which the subsidiaries and their parent entity operate and, in relation to subsidiaries, in which they are incorporated. The various regulators monitor our local solvency positions. The Group has been in compliance with the solvency and capital adequacy requirements applied by its regulators at all times.

The primary insurance regulators for the Group's key operating companies are:

Subsidiary	Primary insurance regulator	Solvency regulation
FWD Life Insurance Company (Bermuda) Limited	Insurance Authority (“HKIA”)	Hong Kong Insurance Ordinance (“HKIO”)
FWD Life Insurance Public Company Limited	Thailand Office of Insurance Commission (“THOIC”)	Life Insurance Act of Thailand
FWD Life Insurance Company, Limited	Financial Services Agency (“FSA”)	Insurance Business Act

The HKIA (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong. The Hong Kong Risk based capital regime (“HKRBC”) became effective on 1st July 2024. Previously, on 30 June 2022, the HKIA had approved the early adoption of HKRBC for FWD Life Insurance Company (Bermuda) Limited.) Under HKRBC, FWD Life Insurance Company (Bermuda) Limited is required to maintain an amount of capital not less than the prescribed capital amount (as defined in the Insurance (Amendment) Ordinance 2023) at all times.

The Life Insurance Act of Thailand (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Thailand. The Life Insurance Act of Thailand requires FWD Life Insurance Public Company Limited to maintain a prescribed capital requirement ratio of 140% and a minimum capital requirement ratio of 100%.

The Enforcement Ordinance of the Insurance Business Act and Comprehensive Guidelines for Supervision of Insurance Companies sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Japan. The Comprehensive Guidelines for Supervision of Insurance Companies Section II-2-2-2 requires FWD Life Insurance Company, Limited to maintain a prescribed capital requirement ratio of 200% and minimum capital requirement ratio of 100%.

Subsidiary dividend restrictions and restricted net assets

The Company’s ability to distribute dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. These distributions may be subject to restrictions, specifically related to the need by local insurance regulators for certain subsidiaries to maintain specific capital or solvency levels, and the need to meet other specific local regulations such as those relating to legal capital levels or foreign exchange restrictions.

Payments of dividends to the Company by its insurance subsidiaries are subject to certain restrictions imposed by the relevant regulatory authorities. With respect to the insurance subsidiaries, the payment of any dividend may require formal approval from the relevant insurance regulator in the particular jurisdiction that the subsidiary is domiciled.

27 RISK MANAGEMENT

Risk management framework

The Group's Risk Management Framework has been established for the identification, evaluation and management of the key risks faced by the organisation within its stated Risk Appetite. The framework includes an established risk governance structure with clear oversight and assignment of responsibility for monitoring and management of financial and non-financial risks.

The Group issues contracts that transfer insurance risks, financial risks or both. The insurance risks and financial risks associated with the Group's operations and the Group's management of these risks are summarised below:

Insurance risks

Life insurance contracts

Insurance risks comprise product design risk, underwriting and expense overrun risk, lapse risk and claims risk.

(a) Product design risk
Product design risk refers to potential defects in the development of a particular insurance product. The Group manages product design risk through its product approval process where products are reviewed against pricing, design and operational risk parameters. New products and product enhancements are reviewed and approved by the Group Chief Actuary.

The Group closely monitors the performance of new products and actively manages the product portfolio to minimise risks in the in-force book and new products. A portion of the Group's life insurance business is participating in nature. In the event of a volatile investment environment and/or unusual claims experience, the Group has the option of adjusting non-guaranteed bonuses and dividends payable to policyholders.

(b) Underwriting and expense overrun risk
Underwriting and expense overrun risk refers to the possibility of product-related income being inadequate to support future obligations arising from an insurance product. The Group manages underwriting risk by adhering to underwriting guidelines. Each operating unit maintains a team of professional underwriters who review and select risks that are consistent with the underwriting strategy of the Group. In certain circumstances where insufficient experience data is available, the Group makes use of reinsurers to obtain underwriting expertise. In pricing insurance products, the Group manages expense overrun risk by allowing for an appropriate level of expenses that reflects a realistic medium-to long-term view of the underlying cost structure. A disciplined expense budgeting and management process is followed to control expenses.

(c) Lapse risk
Lapse risk refers to the possibility that lapse experience diverges from that assumed when products were priced. It includes potential financial loss due to early termination of contracts where the acquisition costs incurred may not be recoverable from future revenue. The Group carries out regular reviews of persistency experience. In addition, many of the Group's products include surrender charges that entitle the Group to additional fees on early termination by the policyholder, thereby reducing exposure to lapse risk.

(d) Claims risk
Claims risk refers to the possibility that the frequency or severity of claims arising from insurance contracts exceeds the level assumed when the products were priced. The Group seeks to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data, and considering the impact of these on product design, pricing and reinsurance needs.

Reinsurance solutions are used to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes. Although the Group has reinsurance arrangements in place, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

27 RISK MANAGEMENT (continued)

Insurance risks (continued)

Non-life insurance contracts

The Group's non-life insurance business is diversified over seven classes of business. The Group has developed a robust underwriting framework to ensure that all risks accepted meet the guidelines and standards.

The Group has developed a reinsurance strategy to ensure that a prudent and appropriate reinsurance program is in place, which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of the Group's reinsurance strategy include protection of shareholders' funds, reduction in volatility of the Group's underwriting result and diversified credit risk. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance strategy, ascertaining suitable allowance for impairment of reinsurance assets.

(i) Case estimates

For non-life insurance contracts, the case estimate for each reported claim is set up based on the best estimate of the ultimate claim settlement amount considering all the information available for the claim. The case estimate is revised from time to time according to the latest information available. When setting case estimates for larger claims, reference is made to the advice of independent consultants such as loss adjusters and solicitors where applicable.

(ii) Key assumptions

Generally accepted actuarial methodologies, such as chain-ladder and Bornhuetter-Ferguson methods, are used to project the ultimate claims by class of business. The Group's past experience and claim development patterns are important assumptions for such projections. Other assumptions include average claim costs, claims handling expenses and claims inflation. The projected ultimate claim amount may also be judgmentally adjusted by external factors such as prevailing trends in judicial decisions, the economic environment and relevant government legislation.

Concentration risk

The Group actively assesses and manages concentration of insurance risk, either geographical or product concentration risk, of the Group’s operations, as below:

i. Concentration of insurance risk arises from a lack of geographical and product diversification within the Group’s insurance portfolio, and could result in significant financial losses in the case certain events exhibiting geographical and/or product concentrations occur and give rise to higher levels of claims;

ii. From a geographical standpoint, because the Group operates across multiple markets, its results of operations are not substantially dependent on any one of its individual markets. Such regional footprint provides a natural benefit of geographical diversification of insurance and other risks associated with the Group’s operations (e.g., regulatory, competitive and political risks of a localised and single-market nature);

iii. From a product exposure standpoint, despite the Group’s primary focus on long-term life insurance, it has a range of product offerings with different extent and nature of risk coverage, e.g., participating, critical illness, unit-linked, term life and medical. This naturally also reduces the Group’s exposures to concentrations of mortality or morbidity risk;

iv. Concentrations of risk are managed within each market through the monitoring of product sales and size of the in-force book by product group. As a result of the Group’s growing operating history and scale, a substantial amount of experience data has been accumulated which assists in evaluation, pricing and management of insurance risk; and

v. In addition, reinsurance solutions are used to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes, and the Group has developed a reinsurance strategy to ensure that a prudent and appropriate reinsurance program is in place, which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones.

27 RISK MANAGEMENT (continued)

Sensitivity analysis

The table below analyses how profit or loss and equity would have increased/(decreased) if changes in key assumptions related to determination of insurance and reinsurance contract balances that were reasonably possible at the reporting date had occurred. This disclosure does not offset movements in the fair value of financial assets backing those liabilities. This analysis presents the sensitivities both gross and net of reinsurance contracts held and assumes that all other assumptions remain constant. The effects on profit or loss and equity are presented gross of the related income tax.

31 December 2024	Profit or loss		CSM		Equity	
US$m	Gross	Net	Gross	Net	Gross	Net
10% increase in mortality	(80)	(42)	(315)	(144)	(74)	(50)
10% decrease in mortality	66	36	342	160	61	45
10% increase in morbidity	(191)	(158)	(1,062)	(868)	(23)	(21)
10% decrease in morbidity	139	111	1,125	924	(29)	(26)
10% increase in expenses	(37)	(33)	(188)	(189)	(25)	(21)
10% decrease in expenses	37	33	193	196	25	21
10% increase in lapse/discontinuance rates	(203)	(131)	(486)	(406)	(233)	(146)
10% decrease in lapse/discontinuance rates	122	99	690	538	147	109

31 December 2023	Profit or loss		CSM		Equity	
US$m	Gross	Net	Gross	Net	Gross	Net
10% increase in mortality	(66)	(46)	(350)	(162)	(58)	(49)
10% decrease in mortality	54	35	370	177	45	37
10% increase in morbidity	(165)	(142)	(1,136)	(930)	(26)	(26)
10% decrease in morbidity	128	106	1,175	968	(13)	(12)
10% increase in expenses	(42)	(42)	(254)	(254)	(31)	(31)
10% decrease in expenses	41	40	253	253	29	29
10% increase in lapse/discontinuance rates	(236)	(220)	(508)	(335)	(265)	(246)
10% decrease in lapse/discontinuance rates	131	113	754	552	154	133

27 RISK MANAGEMENT (continued)

Financial risks

The Group is exposed to a range of financial risks, including asset concentration risk, credit risk, market risk, and liquidity risk. The Group applies a consistent risk management philosophy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed.

The following section summarises the Group's key risk exposures and the primary policies and processes used by the Group to manage its exposures to these risks.

Asset concentration risk

Concentration risk is managed at the Group level and within each Business Unit. The Group will determine concentration limits and then cascades these to the Business Units. Limits are set for single issuers, groups of related issuers, country of risk and sectors. The Group’s investment system maintains a set of rules monitoring such limits. Violations of such rules trigger alerts or pre-trade approvals depending on materiality. The investment team works with external managers to ensure asset exposures stay within the stated limits. Exposures exceeding limits needs to be tabled at the relevant Business Unit’s and the Group’s Asset and Liability Management Committee. These committees decide the course of action required to address limit violations should they occur. Limit monitoring takes place at both the Group level and Business Unit level. Asset concentration reports are tabled at the relevant committees. The greatest aggregate concentration of fair value to direct holdings of an individual issuer (excluding all government related fixed income assets) is less than 1 per cent of the total equity and debt investments as at 31 December 2024 (2023: less than 1 per cent).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Although the primary source of credit risk is the Group's investment portfolio, credit risk also arises in reinsurance arrangements, derivative transactions, settlement and treasury activities.

The level of credit risk the Group accepts is managed and monitored by the Group Asset and Liability Management Committee, through establishment of an exposure limit for each counterparty or group of counterparties, reporting of credit risk exposures, monitoring compliance with exposure limits, and a regular review of limits due to changes in the financial strength and risk appetite of the Group and/or macro-economic environment.

The Group actively manages its investments to ensure that there is no significant concentration of credit risk to single counterparty or single group of related counterparties. On aggregate basis, the overall credit quality of the investment portfolio has to meet target quality.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the internal rating as at the reporting date with the internal rating as at the date of initial recognition of the exposure. Where external credit ratings are available, internal ratings are assigned consistent with such ratings in accordance with the Group’s credit risk assessment framework. Where external credit ratings are not readily available, an internal rating methodology has been adopted.

The Group monitors changes in credit risk by tracking the change in internal rating of the exposure. The Group also monitors relevant information, including price movements of securities, and assess whether such information signifies a change in credit risk.

Expected Credit Loss (“ECL”) Methodology

The measurement of ECL is the product of the financial instrument’s probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) discounted at the effective interest rate to the reporting date.

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of IFRS 9. The “Baseline” scenario represents a most likely outcome and the other two scenarios, referred to as “Upside” scenario and “Downside” scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Baseline scenario.

The Baseline scenario is prepared using historical data, economic trend, external forecast from governmental and non-governmental organisations, etc. as benchmarks to ensure the scenario is reasonable and supportable. For the Upside and Downside scenarios, the Group makes reference to the historical and forecast macroeconomic data.

27 RISK MANAGEMENT (continued)

Credit risk (continued)

The probability assigned for each scenario reflects the Group's view for the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability is assigned to the Baseline scenario to reflect the most likely outcome and a lower probability is assigned to the Upside and Downside scenarios to reflect the less likely outcomes.

The specific values of the core macro-economic variable used by the Group for evaluating ECL for the years ended 31 December 2024 and 2023 are as follows:

	As at 31 December	
	2024	2023
GDP growth (5-year average of year-over-year %)		
Base case scenario	2.15 %	1.53 %
Upside scenario	3.68 %	3.06 %
Downside scenario	0.63 %	(0.01)%

The following tables set out the credit quality analysis for debt investments measured at FVOCI and at amortised cost. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2024					
Debt securities under FVOCI					
AAA	1,162	—	—	—	1,162
AA	5,412	—	—	—	5,412
A	9,481	—	—	—	9,481
BBB	17,254	—	—	—	17,254
Below investment grade	733	16	—	—	749
CCC or not rated	256	21	—	—	277
Sub-total	34,298	37	—	—	34,335
Loss allowance	(41)	(5)	—	—	(46)
Amortised cost	**34,257**	**32**	**—**	**—**	**34,289**
Carrying amount – fair value	**31,379**	**29**	**—**	**—**	**31,408**

27 RISK MANAGEMENT (continued)

Credit risk (continued)

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2023					
Debt securities under FVOCI					
AAA	362	—	—	—	362
AA	3,523	—	—	—	3,523
A	9,143	—	—	—	9,143
BBB	18,133	—	—	—	18,133
Below investment grade	1,094	35	—	—	1,129
CCC or not rated	106	12	9	—	127
Sub-total	32,361	47	9	—	32,417
Loss allowance	(44)	(3)	(5)	—	(52)
Amortised cost	**32,317**	**44**	**4**	**—**	**32,365**
Carrying amount – fair value	**28,986**	**38**	**5**	**—**	**29,029**

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2024					
Loans and deposits under amortised cost					
AA	23	—	—	—	23
A	30	—	—	—	30
BBB	419	—	—	—	419
Below investment grade	395	—	—	—	395
CCC or not rated	41	—	2	—	43
Sub-total	908	—	2	—	910
Loss allowance	(6)	—	(2)	—	(8)
Carrying amount	902	—	—	—	902

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2023					
Loans and deposits under amortised cost					
AAA	1	—	—	—	1
AA	51	—	—	—	51
A	90	—	—	—	90
BBB	541	—	—	—	541
Below investment grade	275	—	—	—	275
CCC or not rated	39	—	2	—	41
Sub-total	997	—	2	—	999
Loss allowance	(2)	—	(1)	—	(3)
Carrying amount	**995**	**—**	**1**	**—**	**996**

27 RISK MANAGEMENT (continued)

Credit risk (continued)

The following tables show reconciliation from the opening balance to the closing balance of the loss allowance of the debt securities at FVOCI and loans and deposits measured at amortised cost.

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Debt securities under FVOCI					
As at 1 January 2024	(44)	(3)	(5)	—	(52)
Net remeasurement of loss allowance	2	(5)	—	—	(3)
New financial assets acquired	(8)	—	—	—	(8)
Financial assets derecognised	9	3	5	—	17
As at 31 December 2024	**(41)**	**(5)**	**—**	**—**	**(46)**

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Debt securities under FVOCI					
As at 1 January 2023	(45)	—	(5)	—	(50)
Transfer to Stage 2	1	(1)	—	—	—
Net remeasurement of loss allowance	—	(2)	—	—	(2)
New financial assets acquired	(7)	—	—	—	(7)
Financial assets derecognised	7	—	—	—	7
As at 31 December 2023	**(44)**	**(3)**	**(5)**	**—**	**(52)**

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Loans and deposits under amortised cost					
As at 1 January 2024	(2)	—	(1)	—	(3)
Net remeasurement of loss allowance	(3)	—	(1)	—	(4)
New financial assets acquired	(1)	—	—	—	(1)
As at 31 December 2024	**(6)**	**—**	**(2)**	**—**	**(8)**

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Loans and deposits under amortised cost					
As at 1 January 2023	(3)	—	—	—	(3)
Transfer to Stage 3	1	—	(1)	—	—
As at 31 December 2023	**(2)**	**—**	**(1)**	**—**	**(3)**

27 RISK MANAGEMENT (continued)

Credit risk (continued)

The following tables provides an explanation of how significant changes in the gross carrying amounts of financial instruments contributed to changes in the loss allowance.

US$m	Increase/ (decrease) in gross carrying amount	Increase / (decrease) in loss allowance		
		Stage 1	Stage 2	Stage 3
Year ended 31 December 2024				
Debt securities under FVOCI				
Acquisition during the year	12,097	(8)	—	—
Derecognition during the year	(9,199)	9	3	5
Loans and deposits under amortised cost				
Acquisition during the year	395	(1)	—	—
Derecognition during the year	(459)	—	—	—

US$m	Increase/ (decrease) in gross carrying amount	Increase / (decrease) in loss allowance		
		Stage 1	Stage 2	Stage 3
Year ended 31 December 2023				
Debt securities under FVOCI				
Acquisition during the year	7,822	(7)	—	—
Derecognition during the year	(9,847)	7	—	—
Loans and deposits under amortised cost				
Acquisition during the year	493	—	—	—
Derecognition during the year	(1,061)	—	—	—

The contractual amount outstanding on financial assets written off during the year ended 31 December 2024 that are still subject to enforcement activity is US$nil (2023: US$nil).

27 RISK MANAGEMENT (continued)

Interest rate risk

The Group's exposure to interest rate risk predominantly arises from any difference between the duration of the Group's liabilities and assets, predominantly its traditional insurance liabilities. This exposure is heightened in products with inherent interest rate options or guarantees.

The Group seeks to manage interest rate risk by ensuring appropriate product design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of investment assets with the duration of insurance contracts. Given the long duration of policy liabilities and the uncertainty of future cash flows arising from these contracts, it is challenging to acquire assets that will perfectly match the policy liabilities. This results in interest rate risk, which is managed and monitored by the Asset and Liability Management Committee of the Group. The duration of interest-bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities.

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2024				
Financial assets				
Debt securities	4,257	28,901	—	33,158
Cash and cash equivalents	1,687	—	—	1,687
Loans and deposits	—	902	—	902
Equity securities	—	—	221	221
Interests in investment funds	—	—	9,103	9,103
Derivative financial instruments	—	—	285	285
Accrued investment income	—	—	279	279
Other assets	—	—	259	259
Total financial assets	**5,944**	**29,803**	**10,147**	**45,894**
Insurance and reinsurance contract assets				
Insurance contract assets				683
Reinsurance contract assets				2,696
Total insurance and reinsurance contract assets				**3,379**
Financial liabilities				
Borrowings[1]	996	1,797	—	2,793
Other liabilities	—	435	739	1,174
Derivative financial instruments	—	—	528	528
Total financial liabilities	**996**	**2,232**	**1,267**	**4,495**
Insurance and reinsurance contract liabilities				
Insurance contract liabilities				41,646
Reinsurance contract liabilities				366
Total insurance and reinsurance contract liabilities				**42,012**

27 RISK MANAGEMENT (continued)

Interest rate risk (continued)

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2023				
Financial assets				
Debt securities	2,501	28,492	6	30,999
Cash and cash equivalents	2,008	—	—	2,008
Loans and deposits	—	996	—	996
Equity securities	—	—	675	675
Interests in investment funds	—	—	8,667	8,667
Derivative financial instruments	—	—	218	218
Accrued investment income	—	—	263	263
Other assets	—	—	419	419
Total financial assets	**4,509**	**29,488**	**10,248**	**44,245**
Insurance and reinsurance contract assets				
Insurance contract assets				798
Reinsurance contract assets				2,876
Total insurance and reinsurance contract assets				**3,674**
Financial liabilities				
Borrowings[1]	496	2,035	—	2,531
Other liabilities	—	387	672	1,059
Derivative financial instruments	—	—	416	416
Total financial liabilities	**496**	**2,422**	**1,088**	**4,006**
Insurance and reinsurance contract liabilities				
Insurance contract liabilities				40,073
Reinsurance contract liabilities				304
Total insurance and reinsurance contract liabilities				**40,377**

Note:
[1] As at 31 December 2024, borrowings of US$nil (2023: US$496m) bear variable interest rates and are hedged with interest rate swaps. Refer to Note 18 for details.

27 RISK MANAGEMENT (continued)

Interest rate risk (continued)

The analysis below illustrates the sensitivity of shareholders' equity to changes in interest rates. The analysis illustrates the impact of changing interest rates in isolation, and does not quantify potential impacts arising from changes in other assumptions.

US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on shareholders' allocated equity (before the effects of taxation)	Impact on CSM
31 December 2024				
+50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	108	1,270	108	74
Financial instruments	(91)	(1,464)	(91)	—
	17	**(194)**	**17**	**74**
- 50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	(128)	(1,385)	(128)	(106)
Financial instruments	104	1,611	104	—
	(24)	**226**	**(24)**	**(106)**
31 December 2023				
+50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	11	1,332	11	11
Financial instruments	(21)	(1,436)	(21)	—
	(10)	**(104)**	**(10)**	**11**
- 50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	(41)	(1,454)	(41)	(46)
Financial instruments	24	1,587	24	—
	(17)	**133**	**(17)**	**(46)**

27 RISK MANAGEMENT (continued)

Equity price risk

The Group's equity price risk exposure relates to financial assets and liabilities whose values fluctuate as a result of changes in market prices.

The Group manages these risks by setting and monitoring investment limits by asset types and sectors. The Group’s principal price risk relates to movement in the fair value of its equity securities and interest in investment funds.

Equity price risk is managed through the selection process of equity funds and portfolio criteria for segregated equity mandates, which includes tracking errors based on benchmarks or specific concentration limits. Lower exposure limits are set for each private equity investment to manage concentration risk with the consideration of liquidity in nature.

The analysis below illustrates the estimated impact on profits and shareholders' equity arising from a change in a single variable before taking into account the effects of taxation.

US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on shareholders' allocated equity (before the effects of taxation)	Impact on CSM
31 December 2024				
10 per cent increase in equity prices				
Insurance contracts and reinsurance contracts held	(593)	1	(585)	122
Financial instruments	721	—	709	—
	128	1	124	122
10 per cent decrease in equity prices				
Insurance contracts and reinsurance contracts held	582	(1)	574	(108)
Financial instruments	(715)	—	(703)	—
	(133)	(1)	(129)	(108)
31 December 2023				
10 per cent increase in equity prices				
Insurance contracts and reinsurance contracts held	(613)	1	(613)	121
Financial instruments	777	—	777	—
	164	1	164	121
10 per cent decrease in equity prices				
Insurance contracts and reinsurance contracts held	598	(1)	598	(119)
Financial instruments	(777)	—	(777)	—
	(179)	(1)	(179)	(119)

27 RISK MANAGEMENT (continued)

Foreign exchange rate risk

The Group's financial assets are predominantly denominated in the same currencies as its insurance liabilities, which serves to mitigate the foreign exchange rate risk. The level of currency risk the Group accepts is managed and monitored by the Group Asset and Liability Management Committee, through regular monitoring of currency positions of financial assets and insurance contracts.

Foreign currency transaction risk arising from insurance and reinsurance contracts is managed by holding cash and investing in assets denominated in currencies that match the related liabilities, to the extent that it is deemed by local management to be both practical and appropriate. The Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. Foreign currency transaction risk arising from the underlying items of participating contracts is generally borne by contract holders except to the extent of the Group's share of the performance of the underlying items.

The Group has more United States dollar denominated assets than it has corresponding United States dollar denominated liabilities due to the much deeper pool of investment assets available in United States dollars. As a result, some of the United States dollar-denominated assets are used to back Hong Kong dollar denominated liabilities. This currency mismatch is then hedged, using foreign currency forward contracts, to reduce the currency risk. The Group's foreign currency derivative contracts are established to economic hedge financial exposures. The Group adopts hedge accounting in limited circumstances, as explained below.

Hedge accounting

The Group's major hedging activity is to hedge USD foreign currency risk exposure of cash flow variability arising from the debt investments held by certain business units through foreign currency derivatives. The hedges were determined to be fully effective as the carrying value of the hedged items did not drop below the notional amount of the hedging instruments throughout the hedging period. For foreign exchange forward contracts, the Group designates the spot elements to hedge its currency risk, with the forward elements excluded from the designation and separately accounted for as a cost of hedging.

As at 31 December 2024, the Group held the following instruments to hedge exposures to changes in foreign exchange rate:

	Maturity			
Foreign currency derivatives	1-6 months	6-12 months	Over 1 year	Total
Carrying amount (in US$'m)				
Derivative assets	3	2	17	22
Derivative liabilities	(7)	—	(84)	(91)
Net exposure – notional amount (in US$'m)	478	69	757	1,304
Weighted average contracted rate				
USD: JPY	143.7	—	101.1	
USD: THB	33.8	35.9	35.7	
JPY : USD	—	—	109.0	

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency risk, the Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows, and enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency risk, ineffectiveness may arise if there are changes in the credit risk of the derivative counterparty. Hedging ineffectiveness in relation to the Group's hedges of foreign currency risk was insignificant during the year ended 31 December 2024.

27 RISK MANAGEMENT (continued)

Foreign exchange rate risk (continued)

Exposure to foreign exchange rate and sensitivity analysis on foreign exchange rate risk

The Group's foreign currency exposures and the estimated impact of changes in foreign exchange rates are set out in the tables below after taking into account derivative contracts entered into to hedge foreign exchange rate risk. Currencies for which net exposure is not significant are excluded from the analysis below.

In compiling the table below, the impact of a five percent strengthening of original currency of the relevant operation is stated relative to the functional currency of the Group (US dollar). The impact of a five percent strengthening of the US dollar is also stated relative to the original currency of the relevant operation. Currency exposure reflects the net notional amount of currency derivative positions as well as net financial instruments and insurance and reinsurance contract balances by currency.

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2024				
Financial assets	22,271	968	15,456	2,187
Financial liabilities	(3,376)	(186)	(133)	(84)
Insurance and reinsurance contract assets	313	66	42	2,690
Insurance and reinsurance contract liabilities	(14,465)	(4,072)	(15,312)	(5,613)
Net notional amounts of currency derivatives	(5,332)	3,185	1,651	1,271
5% strengthening of original currency				
Impact on profit before tax				
Financial instruments	75	201	5	1
Insurance contracts and reinsurance contracts held	(43)	(229)	—	—
Impact on total equity				
Financial instruments	—	197	857	166
Insurance contracts and reinsurance contracts held	—	(200)	(764)	(146)
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	40	62	75
5% strengthening of US dollar				
Impact on profit before tax				
Financial instruments	75	(190)	(5)	(1)
Insurance contracts and reinsurance contracts held	(43)	215	—	—
Impact on total equity				
Financial instruments	—	(187)	(857)	(166)
Insurance contracts and reinsurance contracts held	—	188	764	146
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	(36)	(62)	(75)

27 RISK MANAGEMENT (continued)

Foreign exchange rate risk (continued)

Exposure to foreign exchange rate and sensitivity analysis on foreign exchange rate risk (continued)

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2023				
Financial assets	20,599	1,352	15,035	2,561
Financial liabilities	(2,934)	(198)	(178)	(105)
Insurance and reinsurance contract assets	118	109	26	3,134
Insurance and reinsurance contract liabilities	(12,560)	(4,233)	(14,697)	(6,847)
Net notional amounts of currency derivatives	(3,899)	2,319	1,078	1,699
5% strengthening of original currency				
Impact on profit before tax				
Financial instruments	71	178	(4)	1
Insurance contracts and reinsurance contracts held	(37)	(229)	—	—
Impact on total equity				
Financial instruments	—	173	748	120
Insurance contracts and reinsurance contracts held	—	(206)	(733)	(186)
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	43	63	81
5% strengthening of US dollar				
Impact on profit before tax				
Financial instruments	71	(168)	4	(1)
Insurance contracts and reinsurance contracts held	(37)	217	—	—
Impact on total equity				
Financial instruments	—	(164)	(748)	(120)
Insurance contracts and reinsurance contracts held	—	196	733	186
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	(39)	(63)	(81)

27 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet payment obligations when they become due. The Group is exposed to liquidity risk in respect of insurance contracts that permit surrender, withdrawal or other forms of early termination for a cash surrender value specified in the contractual terms and conditions.

To manage liquidity risk the Group has implemented a variety of measures, with an emphasis on flexible insurance product design, so that it can retain the greatest flexibility to adjust contract pricing or crediting rates. The Group also seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of its insurance contracts. The Group performs regular monitoring of its liquidity position through cash flow projections.

The table below summarises financial assets and liabilities of the Group into their relevant maturity groupings based on the remaining period at the end of the reporting year to their contractual maturities or expected repayment dates. Most of the Group's assets are used to support its insurance contract liabilities. Refer to Note 16 for additional information on the Group's insurance contract liabilities, as well as to the Insurance Risks section within this note.

US$m	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	No fixed maturity
31 December 2024								
Financial and insurance contract assets								
Fair value through OCI debt securities	31,408	1,244	1,535	884	1,223	1,308	25,214	—
Fair value through profit or loss debt securities, equity securities and interests in investment funds	11,074	40	44	153	6	16	1,491	9,324
Loans and deposits	902	246	277	54	19	16	290	—
Derivatives financial instruments	285	142	29	22	52	6	34	—
Insurance contract asset (Estimated PV of future cash flow)	1,693	293	87	84	72	71	1,086	—
Reinsurance contract asset (Estimated PV of future cash flow)	2,565	(1,668)	340	305	278	260	3,050	—
Other assets	538	507	13	2	7	1	8	—
Cash and cash equivalents	1,687	1,687	—	—	—	—	—	—
Total	**50,152**	**2,491**	**2,325**	**1,504**	**1,657**	**1,678**	**31,173**	**9,324**
Financial and insurance contract liabilities								
Insurance contract liabilities (Estimated PV of future cash flow)	(36,690)	(4,112)	(2,308)	(2,156)	(1,861)	(1,789)	(24,464)	—
Reinsurance contract liabilities (Estimated PV of future cash flow)	(429)	1,899	(225)	(201)	(179)	(160)	(1,563)	—
Investment contract liabilities	(32)	—	—	—	—	—	(32)	—
Borrowings	(2,793)	(996)	—	—	—	(887)	(910)	—
Derivative financial instruments	(528)	(172)	(95)	(127)	(97)	(19)	(18)	—
Other liabilities	(1,068)	(1,062)	—	—	(1)	—	(5)	—
Lease liabilities	(106)	(40)	(25)	(22)	(9)	(5)	(5)	—
Total	**(41,646)**	**(4,483)**	**(2,653)**	**(2,506)**	**(2,147)**	**(2,860)**	**(26,997)**	**—**

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)

US$m	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	No fixed maturity
31 December 2023								
Financial and insurance contract assets								
Fair value through OCI debt securities	29,029	764	744	1,767	937	1,238	23,579	—
Fair value through profit or loss debt securities, equity securities and interests in investment funds	11,312	40	13	25	155	6	1,731	9,342
Loans and deposits	996	326	156	92	54	35	333	—
Derivatives financial instruments	218	61	16	18	8	100	15	—
Insurance contract asset (Estimated PV of future cash flow)	1,899	(996)	189	129	121	122	2,334	—
Reinsurance contract asset (Estimated PV of future cash flow)	2,690	416	142	125	111	106	1,790	—
Other assets	682	654	6	7	1	4	10	—
Cash and cash equivalents	2,008	2,008	—	—	—	—	—	—
Total	**48,834**	**3,273**	**1,266**	**2,163**	**1,387**	**1,611**	**29,792**	**9,342**
Financial and insurance contract liabilities								
Insurance contract liabilities (Estimated PV of future cash flow)	(35,178)	(2,844)	(2,245)	(2,033)	(1,931)	(1,665)	(24,460)	—
Reinsurance contract liabilities (Estimated PV of future cash flow)	(418)	(140)	(20)	(18)	(16)	(15)	(209)	—
Investment contract liabilities	(56)	—	—	—	—	—	(56)	—
Borrowings	(2,531)	(1,222)	(992)	—	—	—	(317)	—
Derivative financial instruments	(416)	(199)	(77)	(40)	(48)	(42)	(10)	—
Other liabilities	(937)	(911)	(26)	—	—	—	—	—
Lease liabilities	(122)	(54)	(27)	(18)	(16)	(4)	(3)	—
Total	**(39,658)**	**(5,370)**	**(3,387)**	**(2,109)**	**(2,011)**	**(1,726)**	**(25,055)**	**—**

The amounts payable on demand in the insurance contract liabilities represent the policyholders' account values of US$38,391m as at 31 December 2024 (2023: US$37,720m).

28 EMPLOYEE BENEFIT OBLIGATIONS

(a) Defined benefit plans

The Group operates funded and unfunded benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Thailand, Japan, the Philippines and Indonesia. The independent actuaries' valuation of the plans as at 31 December 2024 and 2023 were prepared by external credentialed actuaries. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions. The latest actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 57% as at 31 December 2024 (2023: 58%), covered by the plan assets held by the trustees. The fair value of plan assets was US$23m as at 31 December 2024 (2023: US$21m). The total expenses relating to these plans recognised in the consolidated income statement was US$7m for the year ended 31 December 2024 (2023: US$6m).

28 EMPLOYEE BENEFIT OBLIGATIONS (continued)

(b) Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expenses relating to these plans recognised in the consolidated income statement for the year ended 31 December 2024 was US$24m (2023: US$21m). Employees and the employers are required to make monthly contributions equal to a certain percentage of the employee's monthly basic salaries, depending on the jurisdictions and the years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

29 SHARE-BASED COMPENSATION

During the years ended 31 December 2024 and 2023, the Group operated the Share Option and RSU Plan to reward eligible persons for their services and the achievement of shareholder value targets. These RSUs and share options are in the form of a contingent right to receive ordinary shares or a conditional allocation of ordinary shares. These awards have vesting periods of up to four years and are at nil or nominal cost to the eligible person. Saved for in certain circumstances, vesting of awards is conditional upon the eligible person being in active employment at the time of vesting. Vesting of certain other awards is, in addition, subject to certain performance conditions. Award holders do not have any right to dividends or voting rights attaching to the shares prior to delivery of the shares. Each share option has a 10-year exercise period.

On 30 January 2022, the Board of Directors approved a new Share Award Plan and a new Employee Share Purchase Plan to attract and retain eligible persons.

Details of outstanding RSUs and share options as at 31 December 2024 and 2023 under the Group's Share Option and RSU Plan are disclosed below.

(i) RSUs

The following table shows the movement in outstanding RSU under the Group's Share Option and RSU Plan:

Number of shares	Year ended 31 December 2024	Year ended 31 December 2023
Outstanding at beginning of the year	1,775,456	1,991,586
Awarded	—	1,232,612
Forfeited	(579,738)	(1,247,142)
Vested	(369,308)	(201,600)
Outstanding at end of the year	826,410	1,775,456

During the year ended 31 December 2024, the awards under the Share Option and RSU Plan were granted based on fixed monetary value, in which the number of RSUs will be determined at a later stage based on the details set out in the Share Option and RSU Plan. The awards granted based on fixed monetary value are not included in the above table.

Valuation methodology

For awards granted, the fair value of the awards with performance conditions is calculated by using an appraisal value methodology (Embedded Value plus a multiple of Value of New Business) and market valuation approach, where applicable, and an assessment of performance conditions, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for the awards is inherently subjective due to the assumptions made.

The total fair value of RSUs granted during the year ended 31 December 2024 was US$44m (2023: US$69m).

29 SHARE-BASED COMPENSATION (continued)

(i) RSUs (continued)

Recognised compensation cost

The fair value of the employee services received in exchange for the grant of RSUs is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total expense recognised in the consolidated financial statements related to RSUs granted under the Share Option and RSU Plan by the Group for the year ended 31 December 2024 was US$18m (2023: US$13m).

During the year ended 31 December 2024, the Board of Directors approved grants of the Company's Management Shares to non-executive directors and Independent non-executive directors with total fair value of US$nil (2023: US$7m) which was recognised as expense in the consolidated financial statements.

(ii) Share options

The following table shows the movement in outstanding share options under the Group's Share Option and RSU Plan:

	Year ended 31 December	
Number of share-options	2024	2023
Outstanding at beginning of the year	46,563	237,063
Awarded	8,655	24,000
Forfeited	—	(6,945)
Vested	(19,332)	(207,555)
Outstanding at end of the year	35,886	46,563

Valuation methodology

To calculate the fair value of the awards with performance conditions, the Group estimates the fair value of share options using the Black-Scholes model and an assessment of performance conditions, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for share awards is inherently subjective due to the assumptions made.

The total fair value of share options granted for the Group during the year ended 31 December 2024 was US$1m (2023: US$1m).

Recognised compensation cost

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total expense recognised in the consolidated financial statements related to share options granted under the Share Option and RSU Plan by the Group for the year ended 31 December 2024 was US$1m (2023: US$3m).

30 REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel of the Group are those that have the authority and responsibility for planning, directing and controlling the activities of the Group. The summary of compensation of key management personnel is as follows.

	Year ended 31 December	
US$m	2024	2023
Short-term employee benefits	22	22
Share-based payments	13	9
Other benefits	6	9
Total	**41**	**40**

31 RELATED PARTY TRANSACTIONS

(a) Compensation of Directors and key management personnel of the Group:

Remuneration of Directors and key management personnel is disclosed in Note 30.

(b) Transactions and balances with related parties:

The Group has transactions with certain related companies and these consolidated financial statements reflect the effect of these transactions which are conducted in accordance with terms mutually agreed between the parties. In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the reporting years.

(i) Related companies charged US$30m (2023: US$35m) for the provision of telecommunication, IT and investment advisory, advertising and consulting services to the Group.

(ii) The Group has underwritten various group insurance contracts with related companies. The total premium received from those contracts for the year ended 31 December 2024 was US$23m (2023: US$26m).

(iii) The Group has entered into reinsurance contract arrangements with a related company. The total premiums ceded, claim recoveries received and commission income received for the year ended 31 December 2024 was US$49m (2023: US$45m), US$23m (2023: US$22m) and US$3m (2023: US$2m), respectively.

(iv) The Group has accepted certain liabilities in connection with reinsurance contracts from related companies. The total premium revenue, claims incurred and commissions paid from these contracts for the year ended 31 December 2024 was US$22m (2023: US$178m), US$15m (2023: US$70m) and US$3m (2023: US$41m), respectively.

(v) The Group charged related parties US$1m (2023: US$1m) for administration services.

(vi) The Group had a recapture fee payable to a related company of US$nil as at 31 December 2024 (2023: US$193m).

(vii) The Group has a call option with a 5 year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. As at 31 December 2024, the fair value of the call option was US$61m (2023: US$67m). The call option will be expired on 8 December 2025.

(viii) The Group held financial investments of US$23m issued or controlled by related parties as at 31 December 2024 (2023: US$98m).

(ix) Related companies invested in the subordinated notes and perpetual securities issued by the Group with aggregate principal amounts of US$nil as at 31 December 2024 (2023: US$144m). The total interest and distributions accrued to these related companies for the year ended 31 December 2024 was US$7m (2023: US$10m). Refer to Notes 23 and 25.3 for further details.

31 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with related parties: (continued)

(x) The Group has investment fund balances of US$98m managed by a related company as at 31 December 2024 (2023: US$nil).

(xi) The Group had amounts due from related companies of US$7m as at 31 December 2024 (2023: US$6m). The amounts due are unsecured, interest-free and repayable on demand.

(xii) In addition, the Group had outstanding payable to related companies of US$5m as at 31 December 2024 (2023: US$3m). The payables due are unsecured, interest-free and repayable on demand.

(xiii) The Group had loans to directors of US$482,000 as at 31 December 2024 (2023: US$nil). The loans to directors are unsecured, interest-free and repayable based on the terms set out in the loan agreements.

(c) Transactions and balances with associates and joint ventures:

(i) The Group has entered into broker and non-exclusive distribution agreements with associates, pursuant to which the total commission expenses recognised by the Group for the year ended 31 December 2024 was US$16m (2023: US$14m).

(ii) The Group had an amount due from associates of US$nil as at 31 December 2024 (2023: US$5m). The amounts due are unsecured, interest-free and repayable on demand.

(iii) The Group had a loan to an associate at US$4m as at 31 December 2024 (2023: US$nil) which is interest-bearing and repayable on the maturity date.

(iv) The Group had a loan to a joint venture at US$nil as at 31 December 2024 (2023: US$6m), which is interest-bearing and repayable on maturity date.

32 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as a lessor

The Group leased its investment property portfolio consisting of certain commercial buildings and land. These leases have terms of between 1 and 30 years. The Group had total future minimum rental receivable under non-cancellable operating leases falling due as follows:

	As at 31 December	
US$m	2024	2023
Within one year	16	20
In the second to fifth years	36	47
Over five years	46	97
Total	**98**	**164**

Investment and capital commitments

The Group has investments and capital commitments to invest in its private equity partnerships and other financial investments.

	As at 31 December	
US$m	2024	2023
Within one year	393	223
In the second to fifth years	660	541
Over five years	—	—
Total	**1,053**	**764**

As of 31 December 2024, the Group had capital expenditure commitment of US$43m (2023: US$nil) relating to the extension of a distribution right. Refer to Note 12 for further information.

Commitments in Malaysia

As of 31 December 2024, the Group had planned to invest a total of US$46m (2023: US$48m) in Malaysia.

Capital commitment for acquisitions

As of 31 December 2024, the Group agreed to make additional payments in aggregate amounts of up to US$31m (2023: US$93m) in relation to acquisitions.

Contingencies

The Group is subject to regulation in each of the geographical markets in which it operates from insurance business, and other regulators and is exposed to the risk of regulatory actions in response to perceived or actual non-compliance with regulations relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. The Group believes that these matters have been adequately provided for in these consolidated financial statements.

The Group is exposed to risk exposures including legal proceedings, complaints etc. from its activities including those arising from commercial activities, sales practices, suitability of products, policies and claims. The Group believes that these matters are adequately provided for in these consolidated financial statements.

33 SUBSIDIARIES

The principal subsidiary companies which materially contribute to the net income of the Group or hold a material element of its assets and liabilities are:

				As at 31 December			
				2024		2023	
Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Limited	Cayman Islands	Investment holding	24,308,874 ordinary shares of US$0.01 each 8,202,225 preference shares of US$0.01 each 9,587,168 convertible preference shares of US$0.01 each	100%	—	100%	—
FWD Group Limited	Cayman Islands	Investment holding	24,308,874 ordinary shares of US$0.01 each 8,202,225 preference shares of US$0.01 each 9,587,168 convertible preference shares of US$0.01 each	100%	—	100%	—
FWD Group Management Holdings Limited	Hong Kong	Group management	14,315,900 ordinary shares of US$100 each 1 ordinary share of HK$1	100%	—	100%	—
FWD Management Holdings Limited	Hong Kong	Investment holding	23,936,191 ordinary shares of US$100 each 2 ordinary shares of HK$3,255,523,426 each	100%	—	100%	—
FWD Life Insurance Company (Bermuda) Limited	Bermuda/ Hong Kong/ Singapore	Life insurance	US$1,855,892,759 divided into 1,855,892,759 ordinary shares of US$1 each	100%	—	100%	—
FWD Life (Hong Kong) Limited	Hong Kong	Life insurance	HK$590,106,626 divided into 590,106,626 ordinary shares issued at HK$1 each	100%	—	100%	—
FWD Life Assurance Company (Hong Kong) Limited	Hong Kong	Life insurance	HK$381,625,000 divided into 76,325 ordinary shares issued at HK$5,000 each	100%	—	100%	—
FWD Life Insurance Company (Macau) Limited	Macau	Life insurance	MOP681,437,500 divided into 6,814,375 ordinary shares of MOP100 each	100%	—	100%	—
FWD Life Insurance Public Company Limited	Thailand	Life insurance	3,006,360,171 ordinary shares of THB10 each	87%	13%	87%	13%
FWD Life Insurance Company, Limited	Japan	Life insurance	1,310,000 ordinary shares of JPY28,816.8 each	100%	—	100%	—
FWD Reinsurance SPC, Ltd.	Cayman Islands	Life reinsurance	50,000 ordinary shares of US$0.01 each	100%	—	100%	—
FWD Life Insurance Corporation	Philippines	Life insurance	2,300,000,000 ordinary shares of PHP1 each	100%	—	100%	—
PT FWD Insurance Indonesia	Indonesia	Life insurance	8,116,071 ordinary shares of Rp1,000,000 each	79%	21%	79%	21%
PT FWD Asset Management	Indonesia	Asset management	164,631 ordinary shares of Rp1,000,000 each	100%	—	100%	—
FWD Singapore Pte. Ltd.	Singapore	Life and general insurance	292,683,678 ordinary shares of SGD344,000,004.05 issued share capital	100%	—	100%	—
FWD Takaful Berhad	Malaysia	Life Insurance	2,000,000 ordinary shares of RM50 each 7,290 preference shares of RM100,000 each	70%	30%	49%	51%
FWD Insurance Berhad[1]	Malaysia	Life Insurance	463,000,000 ordinary shares of RM1 each	14%	86%	14%	86%
FWD Vietnam Life Insurance Company Limited	Vietnam	Life insurance	Contributed capital of VND19,102,000,000,000	100%	—	100%	—
FWD Life Insurance (Cambodia) Plc.	Cambodia	Life insurance	1,115,600 Ordinary shares of KHR100,000 each	100%	—	100%	—

Note:
[1] Formerly known as Gibraltar BSN Life Berhad.

33 SUBSIDIARIES (continued)

All subsidiaries are unlisted and audited by Ernst & Young.

Except for FWD Limited, FWD Group Limited, FWD Takaful Berhad, FWD Life Insurance Public Company Limited and FWD Insurance Berhad, the subsidiaries are fully consolidated in the consolidated financial statements reflecting the economic interests to the Group. Subsequent to the Exchange of Share Capital of FL and FGL on 31 July 2023, FWD Limited and FWD Group Limited are fully consolidated in the consolidated financial statements reflecting the economic interests to the Group.

34 EVENTS AFTER REPORTING YEAR

On 21 January 2025, the Company voluntarily prepaid in full the US$1,000m bank borrowings and cancelled in full the US$500m revolving credit facility before their scheduled maturity date in December 2025. Concurrently, the Company borrowed a US$500m term loan maturing in 2028 and a US$500m term loan maturing in 2030 under the facilities agreement dated 22 November 2024.